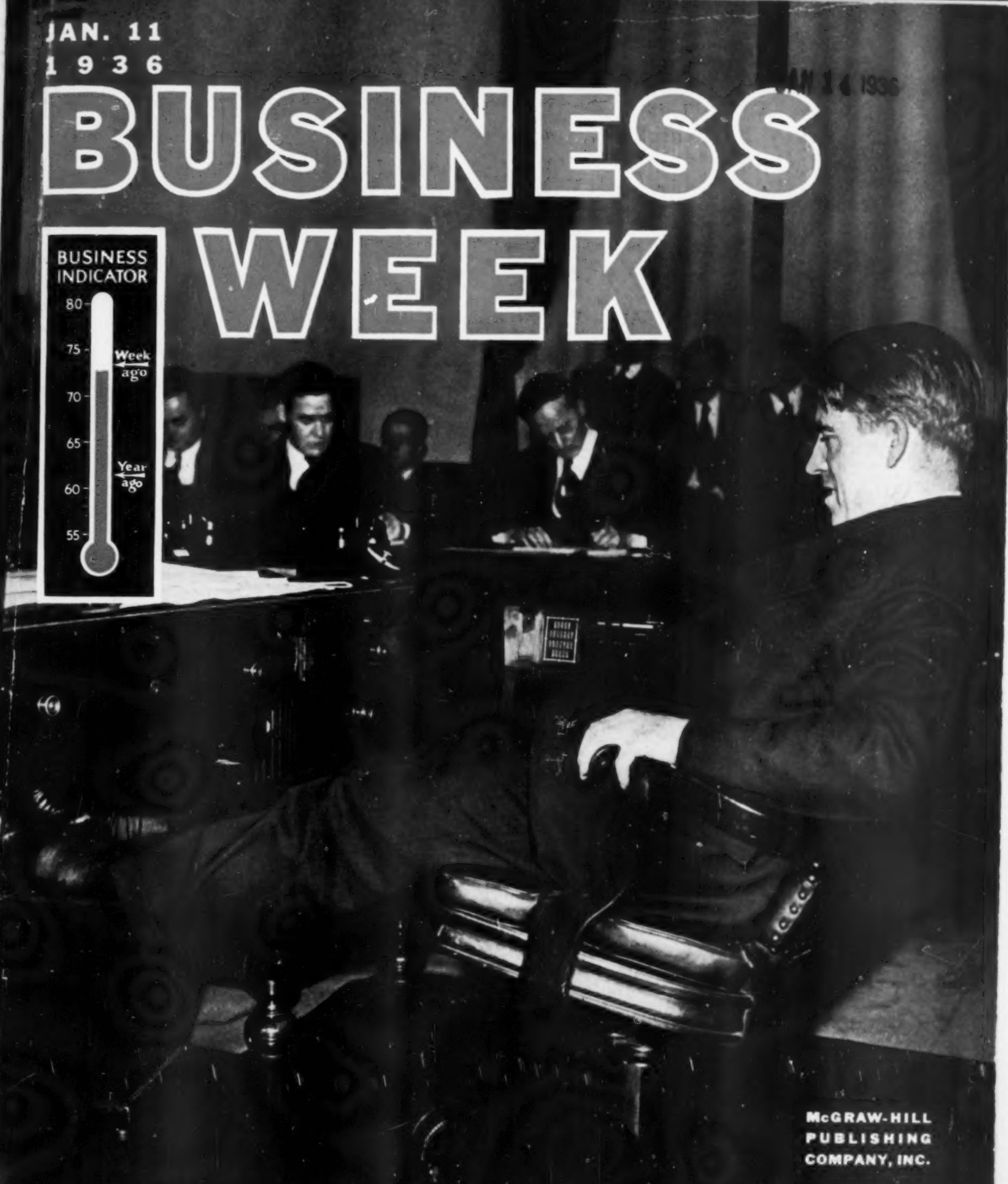
JAN. 11
1936

BUSINESS WEEK



Harris & Ewing

NOW IN THE WASTE BASKET—Secretary Wallace's position shows how he feels about the effect of court decisions and Congressional fights on AAA.

McGRAW-HILL
PUBLISHING
COMPANY, INC.

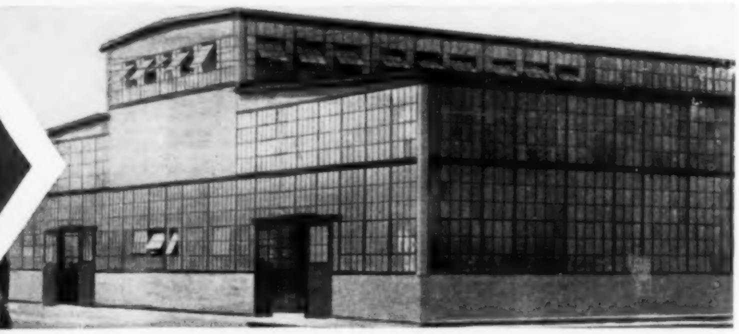
20 CENTS

JAN 14 1936

UNIVERSITY OF MICHIGAN BW
GENERAL LIBRARY
ANN ARBOR MICH

FROM THIS

... TO THIS



JANUARY

1 2 3 4 5

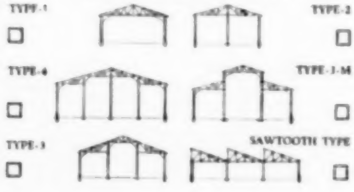
IN FOUR SHORT WEEKS!

20 21 22 23 24 25 26
27 28 29 30 31

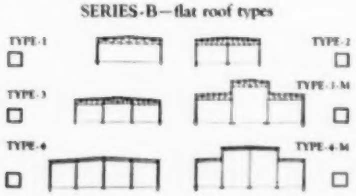
Master of every condition and requirement, Truscon Standard Buildings afford wide selectivity of building design and size . . . rapid erection in any kind of weather . . . rust-resistance . . . fire protection . . . ease of dismantling and re-erection in a new location . . . moderate cost . . . *and a continuous, cumulative return on every dollar of your Truscon Building investment!* • Truscon Standard Buildings are erected with standardized but CUSTOM-BUILT units of rust-resisting, copper alloy steel. Any type . . . any size . . . any arrangement of doors and windows . . . any kind of sidewalls . . . any type of roofs, pitched, monitor and flat . . . ALL are ready for quick selection, delivery and erection everywhere and anytime. • Check the type of building in which you are interested and your inquiry will be given immediate attention.

Unequalled for Factory, Shop, Warehouse, Garage, Shed, Hangar, etc.

SERIES-A—pitched roof types



SERIES-B—flat roof types



STEELDECK ROOFS

Best assurance of a trouble-free, permanent roof. Made of copper alloy (rust-resisting) steel, they last indefinitely. They are firesafe and light in weight. Covered with insulation and water-proofing, they weigh only five pounds per square foot.

FERROCLAD WALLS

Consist of inner and outer facings of copper bearing steel enclosing one inch of commercial insulation—all edges sealed against moisture—between the steel layers. Insulation is equal that of a 25-inch concrete wall. Firesafe and efficient.

TRUSCON STEEL COMPANY
YOUNGSTOWN, OHIO

Washington Bulletin

WASHINGTON *(By Business Week Staff Correspondents)*—How to get some $600 millions a year to American farmers, now that AAA is knocked out, is Roosevelt's immediate problem. Existing obligations will be paid somehow, probably by congressional appropriation, but the future will take some figuring.

Immediate plan—probably using several conduits, so that if one is knocked out, others will keep on distributing checks—must be agreed on quickly. Permanent plan will come in time for Democratic convention, to be used as argument against rival Republican program.

But "farm relief" is with us to stay, no matter what method may be needed to circumvent constitutional objections and no matter which party wins election.

> ***BEDFELLOW TOWNSEND***
>
> ***Townsendites might support a Roosevelt move for a constitutional amendment. AAA decision—particularly part about taxing some for benefit of others—hangs their plan higher than Haman, according to shrewd constitutional lawyers. Borah warned Dr. Townsend of this possibility more than a year ago. Shift to an amendment fight would save Congress embarrassment this session but complicate national campaign no end.***

Call for Solomon

Legal sharks say customers may sue processors to recover taxes passed on to them. But they would have tough time proving case, for few concerns specified tax in their bills. (Some customers, however, demanded such specification.) Another complication: Taxes were not spread evenly, but laid where traffic would bear them. Pork tax was 2¼¢ per lb.; actually, about 6¢ was piled on bacon, 7¢ on cooked ham. Who gets the refund and how much?

Long, Long Trail

Litigation on AAA tax payments may drag on for years. About a billion is involved. Applicants for refunds must wait six months to see if Internal Revenue Bureau acts, then sue in Court of Claims and run gauntlet of government lawyers seeking to prove they passed levy on to consumers. If decision favors applicants, they must wait until Congress appropriates money to pay, which in past has sometimes taken years, sometimes been sidetracked permanently.

For Freedom of Seas

Real debate on neutrality threatens, as Lone Wolf Borah, always frightening to opponents, girds loins to battle for freedom of seas, opines that doctrine of cash-and-carry is cowardly. People either have right to trade or they haven't, Borah insists, and they cannot protect themselves.

Norris Dreams Again

Another boon for farmers, boost for utilities, would result from passage of Norris proposal to lend $100 millions annually for 9-year period to publicly owned and cooperative rural electrification projects. Bills will stand watching. Norris pipedreams sometimes come true.

ICC Appellate Courts

Congress will probably favor Interstate Commerce Commission plan to set up 5-member appellate divisions whose decisions on rehearings would speak for entire commission. Idea is to expedite business.

Picked Troops

Major Berry's second attempt to revive NRA was carefully arranged to prevent repetition of first fiasco, but seems headed just as certainly for that rapidly filling waste basket for New Deal experiments. This time his "Council for Industrial Progress" was carefully handpicked.

Moonlight and Roses

As *Business Week* predicted, Roosevelt painted budget picture designed to please business, taxpayers worried about government spending, and budget balancers. Having deliberately painted picture as black as possible in 1934 and 1935, he now makes it rosy as possible. Just a little too rosy.

Bonus a Sure Bet

Best guess still is that President will veto soldier bonus, though he has been coy about it for some weeks now, refusing even to answer questions as to whether he has "changed his mind." Measure seems sure of enactment anyhow, and without any inflation feature.

Symmetalism on Deck

Symmetalism for Pan America, with all Western world using money based on definite percentage each of gold and silver, is talked about as silver senators walk softly, fearing that to say what they think of Morgenthau's bungling of silver buying program would jeopardize election.

Coal on the Fire

Coal industry splits wide open on desirability of price-fixing, one point of codes which coal producers seemed to like. Issue is before National Coal Commission as Supreme Court sets Mar. 11 to hear Guffey arguments.

Wanted: Advance Decisions

Another drive looms to force Supreme Court to pass on constitutionality of laws before they are put in effect. Would save not only wasted effort but much injustice, such as to those who paid AAA taxes, direct or indirect, and will not get them back.

Bootlegged Pork

Two billion pounds a year of "bootlegged" pork is one explanation why pork prices did not advance full amount of processing tax (2¼¢ per lb.) after AAA decision. Legislators at one corn belt state capital reputedly paid their hotel bills with home-slaughtered hogs, carted back to town in automobile tonneaus after each weekend out on the farm.

Baby Wagner Acts

Organized labor will continue fight for laws guaranteeing collective bargaining, even if Wagner act is knocked out, as AAA decision indicates. Mayor LaGuardia, always pro-labor, says he's planning a "baby Wagner act" for New York. Unions will seek other similar local laws.

Transportation Discord

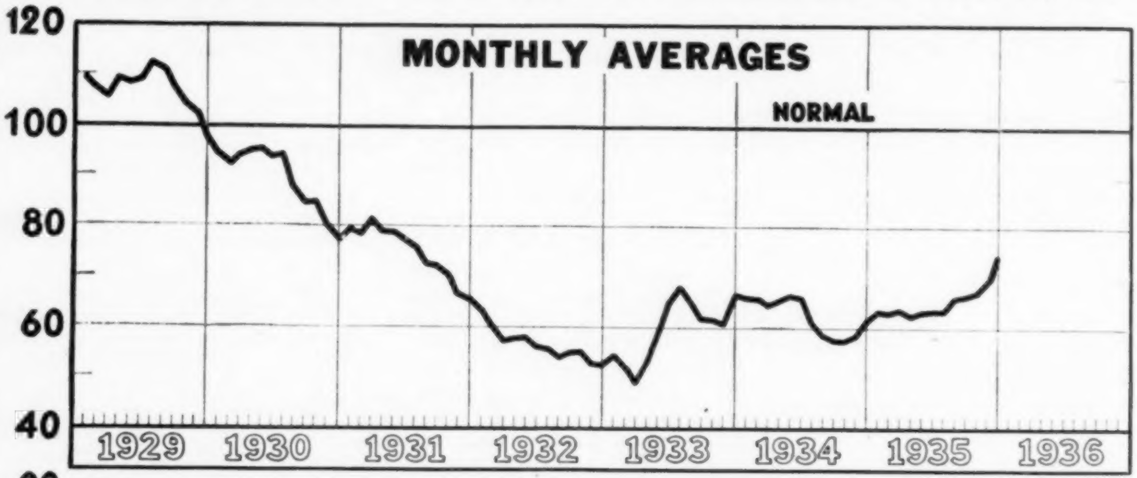
Clash of discords interrupts laborious harmony of Coordinator Eastman's rail-truck parleys as American Trucking Associations charge that Western railroads' free pickup and delivery plan "cries out for investigation" and ask ICC to hold it up.

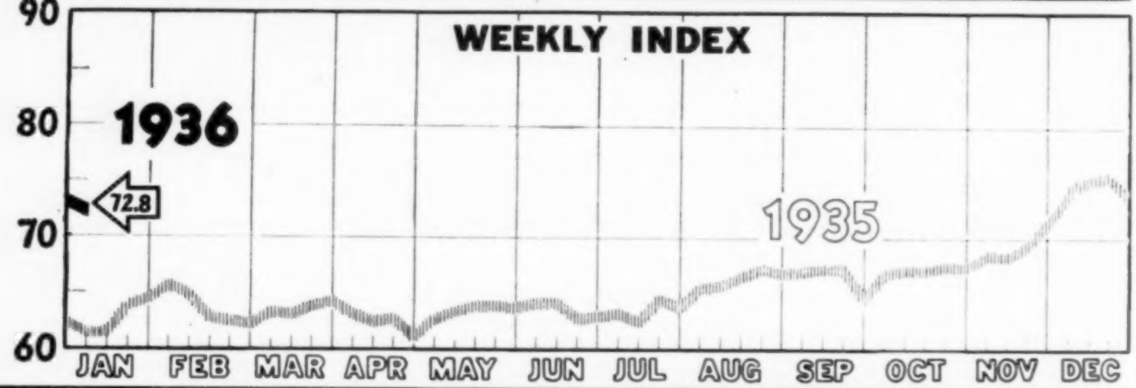
Small Exchanges Hopeful

SEC gave small stock exchanges a break in recommending to Congress that they be permitted to continue unlisted departments. Chairman Landis threw them a bouquet in Detroit speech. Now they hopefully await his report to Congress on segregation of brokers and dealers expecting it to advise against separation.

BUSINESS WEEK (with which is combined The Magazine of Business) January 11, 1936. No. 332. Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd Street, New York, N. Y. James H. McGraw, Jr., Chairman; Malcolm Muir, President; James H. McGraw, Honorary Chairman; Glenn Griswold, Vice-President and Editor; B. R. Putnam, Treasurer; D. C. McGraw, Secretary. $5.00 per year, in U. S. A., possessions, and Canada; $7.50 per year in all other foreign countries. 20c per copy. Entered as second-class matter February 15, 1930, at the Post-Office at New York, N. Y., under the act of March 3, 1879. Printed in U. S. A. Copyright 1936 by McGraw-Hill Publishing Company, Inc.
Printed by The Schweinler Press, N. Y.

BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY





	Latest Week	Preceding Week	Year Ago	Average 1931-35
BUSINESS WEEK INDEX	*72.8	†73.8	61.4	64.8
PRODUCTION				
★ Steel Ingot Operation (% of capacity)	49.2	46.7	43.4	31.0
★ Building Contracts (F. W. Dodge, daily average in thousands, 4-week basis)	$10,858	$9,936	$3,762	‡$6,250
★ Bituminous Coal (daily average, 1,000 tons)	*1,346	1,398	1,277	‡1,241
★ Electric Power (millions kw.-hr.)	1,855	1,847	1,669	1,556
TRADE				
Total Carloadings (daily average, 1,000 cars)	98	100	90	‡95
★ Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	61	63	56	‡61
★ Check Payments (outside N. Y. City, millions)	$4,311	$3,608	$3,911	$3,957
★ Money in Circulation (daily average, millions)	$5,881	$5,963	$5,523	$5,453
PRICES (Average for the Week)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$1.18	†$1.13	$1.03	$.69
Cotton (middling, New York, lb.)	12.04¢	11.95¢	12.84¢	9.30¢
Iron and Steel (*Steel* composite, ton)	$33.31	$33.31	$32.51	$30.62
Copper (electrolytic, Connecticut Valley basis, lb.)	9.250¢	9.250¢	9.000¢	7.948¢
All Commodities (Fisher's Index, 1926 = 100)	84.0	84.1	79.4	84.0
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,483	$2,510	$2,465	$2,131
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$20,895	$20,939	$19,482	$19,853
★ Commercial Loans, Federal Reserve reporting member banks (millions)	$4,975	$4,964	$4,923	$6,347
Security Loans, Federal Reserve reporting member banks (millions)	$3,274	$3,200	$3,192	$4,976
Brokers' Loans, Federal Reserve reporting member banks (millions)	$1,163	$1,089	$933	$1,065
Stock Prices (average 100 stocks, Herald-Tribune)	$113.15	$111.68	$99.28	$101.73
Bond Prices (Dow, Jones, average 40 bonds)	$99.50	$98.39	$96.43	$86.93
Interest Rates—Call Loans (daily average, renewal) N. Y. Stock Exchange	¾%	¾%	1%	1.9%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	¾%	¾%	¾-1%	2.1%
Business Failures (Dun and Bradstreet, number)	217	179	248	452

★ Factor in *Business Week* Index   *Preliminary   † Revised   ‡ 1930-1934 Average.

This Weekly Index of Business Activity is covered by the general copyright on the contents of *Business Week* and may not be reproduced without special permission.

Business Week

The Business Outlook

WASHINGTON seethes with activity. Having ousted the agricultural adjustment act, the Supreme Court turns to the rest of its docket, jammed with other doubtful New Deal laws. Railroads, glancing hopefully at tack the justices took in the Hoosac Mills case, stir to get the railroad retirement act before the Court. The President offers an unprecedented incomplete budget, with important sections devoted to AAA knocked out before ink dried. Congress bares scores of high salaries hitherto protected from public scrutiny —bound to make fur fly. Senate Munitions Committee hammers away at J. P. Morgan and associates. Congress turns to bonus, neutrality legislation, AAA repairs. Industries hoping to get a fair trade bill before Congress are disturbed by events in Washington, and in New York State, where the Feld-Crawford fair trade law was badly crippled.

DIVIDENDS TELL STORY

How any industry feels about past as well as future earning capacity is best measured by dividends declared. Here is how major groups line up on dividends declared in 1935 as compared with 1934:

	Per Cent
Banks and Insurance	*+ 7*
Chain stores	*+ 1*
Coppers	*+148*
Department stores	*+ 31*
Foods	*+ 2*
Mail order	*+165*
Motors	*+ 42*
Motor equipment	*+ 42*
Oils	*+ 8*
Public utilities	*+ 1*
Railroads	*+ 3*
Railroad equipment	*— 40*
Steels	*+100*
Tobaccos	*— 3*
Total	*+ 10*

Confusion Pervades Markets

Immediate effect of disruption in farm legislation sponsored by New Dealers was market confusion. Flour prices fell by virtually the full amount of the processing tax. Hog prices increased toward the tax limit as sellers sought to profit by adding tax formerly paid by processors. Textile prices faltered. Cotton futures fell as specter of uncontrolled future crops loomed before the market. Sugar sagged, then recovered when Wallace voiced an opinion that sugar quotas were not affected. Retailers set for annual white-goods sales this month decided to adopt a policy of "watchful waiting."

Nature Only Crop Control

Long-time effect is more significant. Increased acreage of cotton and wheat is a foregone conclusion. Only drought, boll weevil, and rust will be considered constitutional crop controllers. The farm problem is by no means solved by the AAA decision, is made more difficult by the declaration that agriculture is a local business. State regulation is regarded as difficult, if not impossible. Far-sighted processors, whether in agreement or disagreement with the particular means of control set up under AAA, believe some kind of regulation imperative.

Lower Prices—Maybe

Food and textile concerns cheerfully regard the end of AAA as insuring more profitable returns. Consumers anticipate lower prices, greater consumption, but manufacturers claiming to have absorbed the tax are loath to reduce prices. Stalemates already have occurred between buyers and sellers. Motor, mail-order and farm-equipment concerns which have profited by the growing farm prosperity are dubious about a farm future without government bounties.

Diversified Effects

But benefits are not the major factor, amounting to only 8% of 1934 gross farm income, and 6% of 1935 income. Moreover, grain, cotton, and tobacco, major crops restricted by AAA, accounted for only 25% of 1935 gross income. Meat and dairy products are more significant items, and in these an increase next year was encouraged even by AAA. Chances are that 1936 farm income will still show a small gain over 1935, though regional gains will be more spotty. Cotton state results are most problematical, since the carryover is still heavy and moves to increase the crop already are apparent.

Automobile Outlook

Cold weather, accumulating stocks of used cars in dealers' hands, and holidays slackened the assembly pace in Detroit. January output is expected to run between 350,000 and 400,000 units, or close to the December level. February's output hangs on weather and retail sales. December estimates for passenger car sales top 200,000, a new record for the month. November also ran highest for the month with 220,262 cars. November truck sales exceeded early estimates by a wide margin, ran 31% ahead of a year ago. Numerous states have extended the use of 1935 license privileges into February or March, thus augmenting gasoline taxes, helping break in a larger public to winter driving.

Used Cars for Junk

Efforts to stimulate motor sales are not lagging. Chevrolet has attacked the used-car problem, offering dealers $20 for every car junked in January and a bonus to salesmen helping dealers to exceed January, 1935, used-car sales. Ford has reduced the cost of purchasing new cars by a widely-publicized $25-a-month plan, whose net effect is similar to General Motors' program announced several weeks ago. Plymouth, with an eye to the farm market, has designed a special high-wheel model that promises to ride the nation's unpaved highways with fewer jolts.

Steel Price Rise Talked

Steel recovered from the holiday letdown under impetus of tin plate and railroad buying. Auto buying temporarily slackened. Wire producers with large farm markets stopped to appraise the effect of AAA's death on sales. Chief steel interest now lies in probable price movements. Talk of advancing finished steel prices persists, but weakness in wire nails and concrete bars, together with pressure from automotive stamping, refrigerator manufacturers, and others for concessions equal to those granted some motor makers, are stumbling blocks.

Peak Figures for Steel

December steel operating rate reached the year's high at 55.7% of capacity. Total tonnage produced exceeded 33.4 millions, a 31% gain over the 25.6 million tons of 1934, making it the best year since 1930.

Heavy Contracts Up

Heavy engineering contracts for the first week in 1936 total $102.5 millions, highest for any week since early 1930 (and largely due to the TVA project now in danger of being declared unconstitutional). Last year's construction, according to *Engineering News-Record,* ran close to $1.6 billions, a 17% gain over 1934. While public projects dominated the field, private construction made a 54% comeback.


Expense Account
ONE MAN, ONE TELEPHONE, ONE MORNING
TUESDAY, 14th
TONAWANDA, N. Y. $1.35*
Called Cummings of Consolidated. He was a little sore about slow delivery on last order. Smoothed that out; sold him a car-load of southern pine.
LOUISVILLE, KY. $2.35*
Missed Jim Thompson down there last week. Figured his outfit must be running low on special trim and moldings. Gave him a call and got a nice order that might have gone to the next sales-man who walked into his office.
SCRANTON, PA. $ .65*
Had a hunch and called McKay Company. They were hunting a special wallboard for hurry-up concrete construction. Arranged to rush 7000 square feet of our No. 835FC direct from mill. Makes me solid with old man McKay—and a neat commission besides.
HARTFORD, CONN. $ .95*
Planned a quick trip to see Sullivan about our hand-split cedar shingles. Telephoned first and found him out of town. Saved my-self a useless visit and made a definite appointment for next week.
BALTIMORE, MD. $ .60*
Post-card query came this morning. Didn't sound so hot, but I followed up by telephone. New customer and $3400 order fell into my lap. I got there first!
* The three-minute daytime rate for station-to-station calls from Philadelphia
BELL SYSTEM

BUSINESS WEEK

JANUARY 11, 1936

Plowed Under

Supreme Court knocks AAA out and indicates same fate for most New Deal acts. Justice Stone warns majority it may provoke a sweeping constitutional amendment.

THE whole New Deal house of laws shook and trembled this week. One of its main pillars, the Agricultural Adjustment Act, was blown to pieces by the Supreme Court in a 6-to-3 decision; several others were sure to fall, and the odds were against half a dozen more.

The decision seemed to bring almost to a head the question of amending the Constitution to enlarge federal power.

Justice Stone, in his minority opinion, warned the majority that it might indirectly be forcing a revised Constitution with states' rights shrunken.

An Inevitable Issue

Even if that question is not taken to the voters by President Roosevelt next fall, it will probably become a first-rate issue in the coming years, under pressure of agriculture and labor.

The immediate and long-range effects of the decision on business, especially farm commodities, were not all clear, nor did they all tend in the same way.

The decision was so comprehensive as to amaze nearly all observers. It had been thought that the processing taxes were in danger, but not that the court would declare Congress powerless to pay money to farmers in return for their promise to reduce production. But that is what the court did.

It spoke through Justice Owen J. Roberts of Philadelphia, 60 years old, the youngest member, and the next to the youngest in point of service. The case was that of the Hoosac Mills Corp., sued by the government to collect processing taxes. The United States District Court had ruled for the government; the Circuit Court of Appeals had reversed the decision.

Justice Roberts, a Hoover appointee, delivered the 7,000-word opinion almost entirely from memory. It set historic precedents. For the first time, the Supreme Court construed the constitutional provision empowering Congress to levy taxes for the "general welfare of the United States."

The meaning of this clause was disputed by the leading framers of the Constitution. Madison, a states' rights man, contended that the clause only referred to other, specified powers of Congress, and that it could not tax for any purposes but these. Hamilton, the leading federalist, asserted that Congress could tax for any general welfare purpose.

For nearly a century and a half the Supreme Court had managed to avoid deciding this point. Now at last it decided. It said Hamilton was right; but it construed "general welfare" in a much narrower sense than Congress had done.

Not a National Problem

Justice Roberts indicated that "a widespread similarity of local conditions"—such as occurred in the farm depression—is not a national condition and cannot be dealt with by Congress under the general welfare clause.

He declared that Congress cannot levy taxes in order to pay money to farmers and induce them to cut production. He called this an indirect coercion, and he said it bought compliance with a congressional regulation of something over which Congress has no authority—agricultural production, a state affair.

When he was through, Chief Justice Hughes nodded to his left, towards Harlan F. Stone of New York City, 63 years old, the second youngest member, third youngest in point of service.

Justice Stone, a Coolidge appointee, not only dissented (and was joined by Justices Brandeis and Cardozo), but ripped into the majority with great bluntness. In effect he denounced the majority for judicial usurpation. He denied that the benefit payments were coercive. He pointed out that great numbers of farmers had refused to cut their production. He said the majority were substituting theory for facts.

Sarcastically he urged upon the majority "the frank recognition that language, even of a Constitution, may mean

Harris & Ewing

Acme

IT'S YOUR MOVE—Thus national interest turned to President Roosevelt and his advisers this week, after the Supreme Court (all except Justice McReynolds shown here) put up the shutters on AAA. The President called agricultural aids to the White House for a conference; among them, left to right above: Representative Marvin Jones, chairman of the House Agricultural Committee; Senator John H. Bankhead, whose cotton act was censured by the court decision; Attorney General Homer S. Cummings; and AAA Administrator Chester Davis.

What AAA Ruling Does

Taxes Killed—Wheat, 30¢ bu.; corn, 5¢ bu.; rye, 30¢ bu.; barley, 25¢ bu.; hogs, 2¼¢ lb.; cotton, 4.2¢ lb.; tobacco, from 1.98¢ to 3.5¢ lb., on different types; sugar, ½¢ lb.; rice, 1¢ lb.; peanuts, 1¢ lb.

Taxes Already Paid—About $200 millions in escrow will probably be returned; $1 billion has already been paid to Treasury; whether any will be returned is doubtful.

Benefits Owed to Farmers—About $250 millions may be paid them for contracts already complied with.

New Taxes?—Uncertain.

Other New Deal Legislation Jeopardized—Cotton, tobacco, potato, and Guffey coal acts are sure to be killed; Wagner labor and railroad retirement acts, practically sure; social security and Tennessee Valley Authority acts, probably killed.

what it says." He declared the Constitution gave Congress the power to decide for itself whether a use of money was for the general welfare.

Under the opinion of the majority, he said, Congress could give money but could not require the recipients to promise anything in return. Hence, he argued, Congress could not give money to colleges, on condition that they taught agricultural subjects; Congress could give a dole to the unemployed but could not give them money on condition that they take work-relief jobs; Congress could lend money to banks and railroads through the Reconstruction Finance Corp. but could not lay down any conditions.

He uttered a warning—if the Supreme Court checks Congress too much for the protection of states' rights, the result may be obliteration of states' rights. What he implied was that the Constitution might be amended to practically wipe out state authority altogether.

Death for Other Acts

The majority opinion means the death of the other, more drastic farm control acts and of the Guffey coal act; and it strongly suggests that the Wagner labor, railroad retirement, social security, and Tennessee Valley Authority acts will also be held invalid. It cast grave doubt, too, on the public utility holding company act. The railroads sued Tuesday to enjoin the retirement act.

President Roosevelt announced he would try to find a way for paying the farmers about a quarter of a billion dollars due them under AAA contracts with which they have already complied.

Secretary Wallace summoned farm leaders to a conference on substitute farm relief measures.

As to processing taxes, this was the outlook:

About $200 millions has been impounded, pending the outcome of the litigation. At the discretion of federal judges in the various districts, the money may be paid back to the processor or may be turned over to the Treasury, and then the processor can sue in the Court of Claims and get a judgment, which Congress will probably honor.

Long Road to Refunds

There has been about $1 billion paid to the Treasury by processors. They can make a refund claim on the Bureau of Internal Revenue, and if the claim is rejected, or is not decided in six months, they can sue in the Court of Claims. If they win there, Congress may appropriate money to pay the claim—if it wants to do so.

If processors get their money back, what of income and excess profits taxes on it? Authorities think the tax will be payable as of the year when the processing tax was paid. The processor should add this money to his income of that year, and then figure the additional incom and excess profits tax necessitated by the higher income.

Processors face suits by distributors who insisted on being billed separately for the taxes.

The general business effects of the decision sum up like this:

Farmers may get higher prices for some of their commodities in the immediate future. Secretary Wallace, in a brief radio speech to farmers Tuesday, said calmly that this might be expected. He quoted from a book he wrote in 1934 to show that this was his measured opinion. But from the same book he quoted the prediction that the end of AAA would in three years reduce the farmers' income to 50% of parity with industry.

Food and grocery manufacturers expect to increase their earnings, though in some lines this may be partly offset by price reductions. Packers will hand the hog tax saving on to the farmers, but may gain eventually as the hog supply increases.

May Demand Bread Cut

Bread bakers are afraid consumers will demand rescission of the increase of 1¢ a lb. loaf that went into effect in many places last October, being then generally attributed to the processing tax, though this is only about ½¢ a loaf.

Flour mills expect increased earnings through increased volume. They are reducing prices.

Tire manufacturers will benefit by the elimination of the cotton processing tax, which was not added to the price.

The tobacco industry expects to gain. It did not pass the tax on to consumers. The cigar business has been poor for years, and the tax saving will come in handy. Cigarette manufacturers will gain about $7 millions a year (*BW—Nov30'35*).

The cotton textile industry thinks it may be able to sell at somewhat lower prices and regain more of its foreign market.

Sugar will not be much affected, because beet sugar, whose production was controlled, is only about one-third of the American sugar supply. Cane sugar, coming from Cuba and our insular possessions, will still be limited by quotas, which sustain the market.

Liquor distillers expect to gain through the lifting of cereal taxes.

And railroads expect to make more money because the end of crop reduction means that larger crops will have to be hauled.

Radio Pays the Bill

To accommodate the President, radio stations shelved more than $40,000 of commercial programs.

WHEN the President of the United States commandeered the air waves on Friday night of last week to report to Congress and the general public on the state of the Union, the big broadcasting networks shelved regularly sheduled commercial broadcasts whose cash value is estimated at approximately $25,000. The 200 independent or affiliated stations, which tied up with the chains to bring the address to one of the largest radio audiences ever assembled, probably passed up revenue from local and regional programs totaling in excess of $15,000. Direct and overhead charges to the broadcasters—wire, operating, and personnel costs—bring the total expense figure up to probably $60,000.

What They Passed Up

NBC basic red network passed up two half-hour commercials—one for Sterling Products and one for *True Story* magazine—which would have grossed $8,544; the full hour on NBC's basic blue ($6,120) was scheduled for the Palmolive program; and CBS had Campbell Soup's "Hollywood Hotel" billed for the full hour on its basic system ($7,275). In addition, the 4-station Mutual network had booked a half-hour program for S.S.S. proprietary products, and member stations had individual commercials scheduled for the balance of the time (total, $3,095). These are gross figures; total discounts would probably bring the net down 15% to 20%, though this would be more than offset by sponsors' purchase of various supplementary stations in addition to the basic hookups.

In one sense, these are largely bookkeeping charges, for local stations stand a good chance of covering most of their losses, and even the chains, despite crowded schedules, should be able to recover a sizable portion.

Whenever broadcasting companies

consider it expedient to clear the air for a broadcast of special importance—be it in the realm of politics, sport, or general news—they have a legal right to do so, for all contracts with commercial clients contain a clause permitting this exercise of editorial discretion. Seldom, however, is it necessary to call in the lawyers. For two good reasons: (1) When an emergency arises, a gentlemen's agreement between client and broadcaster is sufficient to dispose of it; (2) emergencies rarely develop—almost never except in the case of the President—and when they do the broadcasting companies try to arrange their schedules to permit an extra broadcast at the expiration of the contract. This, plus the two courtesy plugs to an oversize audience which the client gets at the beginning and end of the interloping program, usually satisfies.

Free Air for Washington

When Washington breaks into the picture, radio stations must play ball with the politicians, for their very right to existence rests in the hands of the politically appointed Federal Communications Commission. The nation's lawmakers can find accommodations on the air practically whenever they want them, though the broadcasters contrive to fit their addresses into free periods or to arrange their commercial schedules with such important events as Wednesday's Jackson Day dinner or the Liberty League celebration at the end of this month well in mind.

Following these policies, NBC and CBS together during the past year obliged senators with free time on more than 150 occasions; representatives made more than 200 appearances; governors scored in excess of 50, and cabinet and sub-cabinet members more than 100.

The President spoke 15 times on both networks, though in all but half a dozen cases it was possible to make substitute arrangements with the cash customers. Five occasions when that was not possible cost CBS an actual revenue loss of $10,379 in cancellations and one rebate to a client who lost five minutes of his broadcast period when the President ran overtime. (Such occasions cause more headaches than outright cancellation.) To this sum must be added an indeterminate amount to adjust talent contracts with client, agency, and broadcaster.

Not All Charity

All this is not charity, for the President's addresses build up record audiences, enhance radio's prestige.

During a political campaign, the broadcasting companies charge for the use of their facilities and rates are "on quotation." In the 1932 campaign it is estimated that political broadcasts, including even a few for the socialists, ran up to almost a million dollars, and some of these bills, particularly those of the Democrats, are still unsatisfied. Even a few 1928 heritages must be written off.

In the scheduling of free addresses the broadcasting companies try to maintain a happy balance between the major parties. This was at the base of Henry P. Fletcher's demand that the chains allot to a spokesman for the Republican National Committee an equal amount of time at an equally important hour to balance that accorded the President for his "political" address. NBC began negotiations to placate Chairman Fletcher, but Columbia turned him down with some show of grace and considerable firmness in announcing that it distinguished "between the President of the United States and Franklin D. Roosevelt as a candidate for political office," that it would "try to apportion time among the political candidates with fairness and good editorial judgment."

The Budget Is Set and Upset

President's economy program (with an "open end") is launched just in time to meet the bonus and the Supreme Court's revision of his tax estimates.

A BUDGET, by popular definition, is something the budgeteer sets up at the first of the year to shoot at. Last Monday the final figure of President Roosevelt's 1937 government budget was barely off the reading clerk's lips before others started shooting at it. Opposite the Capitol in the new Supreme Court Building, Justice Roberts was reading the Agricultural Adjustment Act decision that cancelled $547 millions of revenue that was to have come from processing taxes. Before the day was out, the House Ways and Means Committee voted out a bonus bill that will shoot another $1 billion to $2 billion hole in the estimates.

Roosevelt's political foes jumped upon the budget generally, particularly upon the "open-end" innovation by which the President left emergency and relief expenditures dangling in the air, reserving for further consideration new spending programs, deficit calculations, and debt increases.

For the few minutes the budget stood

Harris & Ewing

BIG ISSUES—Whatever business wants to start or stop in this Congress eventually it must come up against election-year politics, personified in Democrat Bankhead (left) and Republican Snell, majority and minority floor leaders in the House.

The Budget—As Far as It Goes

(In millions)

RECEIPTS

Taxes	1937 Budget	Change from 1936: On Old Rates	Change from 1936: On Higher Rates Or New Taxes
Corporation Income	$826.6	+$169.6	+$42.0
Individual Income	936.0	+245.0	+62.0
Back Taxes	180.0	—10.1	
Total Income Taxes	$1,942.6	+$404.5	+$104.0
Estate & Gift	293.0	—10.0	+52.0
Capital Stock & Excess Profit	168.0	0.0	+66.0
Alcoholic Beverages	554.8	+51.6	
Tobacco	504.0	+25.7	
Security Transfers	82.2	+23.5	
Manufacturers' Excise	393.4	+28.6	
Miscellaneous	262.8	—31.0	
Customs	354.0	+0.8	
Asset Realization	5.0	+1.0	
AAA Processing	547.3	+18.2	
Railroad Pension	101.6		+68.6
Guffey Coal	12.3		+6.7
Unemployment Insurance	304.7		+304.7
Old Age Insurance	128.5		+128.5
TOTAL RECEIPTS	$5,654.2	+$512.9	+$730.5
†*DEFICIT*	1,098.4		
	$6,752.6		

EXPENDITURES

Purpose	1937 Budget	Change from 1936
Civil Depts. and Agencies	$725.7	+$47.5
Regular Public Works	322.4	+228.1
Army and Navy	937.8	+192.9
Veterans	790.1	+72.2
Agricultural Adjustment	619.3	—1.8
Civilian Conservation Corps	220.0	—308.4
Debt Retirement	580.1	+28.1
Debt Interest	805.0	+63.0
Refunds	49.4	+2.3
Relief:		
Farm Financial	*126.1	—290.6
Unemployment		—424.8
Drought		—4.2
Miscellaneous	10.0	—11.4
Home Owners	231.0	+36.4
Reconstruction Finance Corp	*125.0	+90.0
Emergency Public Works	887.9	—1,082.0
Unallocated Funds	225.0	—50.0
Supplemental Items	600.0	+520.0
TOTAL EXPENDITURES.	$6,752.6	—$892.7

**Indicates excess of credits* †*Subject to revision when new work relief expenditure are added.*

up it showed a close balance between income and outgo for the year starting July 1. Revenues were calculated to grow by $1,243 millions and reach a total of $5,654 millions, a new peacetime record. The President put down $513 millions of the gain to better business and incomes, while $730 millions were expected from new and higher taxes. But of the new taxes, $547 millions to provide for the railroad pension, unemployment, and old age insurance funds and for enforcement of the Guffey coal control act, appeared this week to be doomed along with AAA processing levies, on the same issue of states' rights.

Regular expenditures, after including Civilian Conservation Corps, AAA, and most of the public works expenditures, formerly carried among emergency expenditures, were budgeted at $5,649 millions, or $5 millions under receipts, permitting the first plus sign since 1930 to appear in federal accounting.

For the emergency section, the President merely stuck in the $1,103 millions expected to remain on hand July 1 from previous work relief appropriations, with a footnote, "More on this later."

The opening left for revision seemed smart after Treasury statisticians this week calculated what the Supreme Court had done to the budget. Processing taxes had already dwindled to a dribble, some $200 millions having been impounded by courts under injunction suits since last summer. But benefits and rental payments have gone on until this week, putting AAA $200 millions in the red.

In addition AAA is committed for $250 millions to complete old contracts with farmers. The court said no more benefits could be paid, but Washington knows they must be paid, somehow. Funds from last year's $4.8-billion work relief fund could have been used before they were earmarked or spent for other purposes, but even if still available a new authorization would be needed for handing them out.

There isn't much worrying about the billion dollars of processing taxes already collected and disbursed. Best guess is there will be no considerable refunds.

Doubtful Taxes Unspent

Less serious to government finances is possible invalidation of the social security and railroad pension taxes. Funds for them are supposed to pile up; little more than administrative expenses will be used before the laws are tested. On the expenditure side of the budget the revenues from them are lumped in an omnibus supplemental item. No notice is taken of the Warren potato act on either side of the budget.

In fiscal policies the 1937 budget marks a change of pace for the Administration. From extravagant overcalculation of expenses, the new budget swings to the other extreme, talks declining deficits, scant debt increases. But the only commitment is a final deficit no greater than the $3,234 millions anticipated for the year to July 1, 1936.

This technique left both spenders and budget balancers cold, neither getting enough definite encouragement. Politically-minded commentators said it was a case of the President eating his cake and having it. He made a gesture toward economy but left his hands untied.

New appropriations for work relief are a foregone conclusion. Note was made that the President unfailingly hyphenated the phrase in his budget remarks, never once said simply "relief." And he definitely indicated that Works Progress Administration with its smaller, locally sponsored projects would furnish the vehicle. Public works outside of the "regular annual" program are out. He marked no new money for grants and loans to cities for non-federal public works, nor for low-cost housing.

A budget revision later will not be unprecedented. Such a revision was made in the 1936 budget last October. This year there will probably be two—one before Congress adjourns, to take care of new work relief appropriations; another about October, when an economy message would make good campaign material.

A.&P. Is Ready to Fight

Hartford outlines defenses against chain tax: reorganize locally on voluntary basis or sell stores to managers. Central buying office is established while government revamps drive to halt commission-taking.

ON two important operating fronts—buying and selling—Great Atlantic & Pacific Tea Co. has served notice that it does not propose to stand idly by while legislatures and governmental agencies push chain-crushing attacks.

A.&P.'s defensive declaration on the selling front came last week in answer to an inquiry addressed to John A. Hartford, president, by W. T. Dewart, president of the New York *Sun*.

Mr. Dewart pointed out that during 1935 over 200 chain-taxing bills had been introduced in the legislatures of 43 states, and asked Mr. Hartford to state what A.&P. expects to do about this continually growing "blizzard" of chain tax bills "not intended for revenue but for destruction."

Mr. Hartford's reply states that two courses of action will be considered for the protection of his company's 76-year-old property and 90,000 employees.

Warehouses as Headquarters

The first would mean the assembling of all A.&P. units in high-tax states into an independent voluntary chain. Each store would be turned over to its present manager on a lease or agency basis, and would function as an independent unit member of the voluntary chain for which the local A.&P. warehouses, with their extensive distributing facilities, might become headquarters.

The alternative, which Mr. Hartford considers "the simplest and most workable plan," would be outright sale of tax-attacked stores to their present managers. Then state A.&P. warehouses, distributing, supervisory and buying staffs would become regular wholesale establishments. Mr. Hartford figures that they could survive by being able to serve the A.&P.-manager-owned store more efficiently and cheaply than regular wholesalers.

Competitors Disturbed

Wholesalers in the grocery and produce field are greatly disturbed by the Hartford statement. They feel that if A.&P., with its nearly 16,000 retail stores, its broad manufacturing and producing connections, and its vast system of warehousing and distributing units, branches out as a straight wholesaling distributor in any specific territory, the independents now operating there will find it difficult to compete.

Manufacturers of nationally-advertised food products feel that A.&P.'s entry into the wholesale grocery field would mean that many nationally-known brands of food products, now owned by and sold exclusively in A.&P. stores, would be available to all retailers served by A.&P. wholesale depots.

Observers point out that both procedures mentioned by Mr. Hartford are entirely practical and workable within the law and recall that since the Iowa chain tax law went into effect, some chain systems, particularly in the oil and gas field, have been broken up into manager-owned units, without thereby depriving the original sponsor of the outlet for his products.

It is recalled also that the Piggly Wiggly Corp., subsidiary of Kroger Grocery & Baking Co., already acts to a certain degree as the wholesaling center for the independently-owned Piggly Wiggly stores and that the recent entry of the United Drug Co. into the wholesale drug field, despite the fact that it operates the chain of Liggett drug stores, is strictly in line with the plans outlined by the A.&P. head.

A.&P. also has declared its present and future position in defense of its buying front.

There the battle has been in progress practically ever since the wholesaler began to lose volume, profits, and prestige because chain organizations ignored him just as soon as their volume of purchases became large enough to equal those of the average wholesaler. The chains' strongest argument with the public was that they saved the middlemen's profit and expense. The wholesalers insisted that chains should not have wholesale prices because they were retailers, but producers and manufacturers, glad to get the chain orders, gave the best prices available. Wherever they could, chains simply bypassed the middleman, be he wholesaler, broker, or commission merchant.

Ammunition for Middlemen

Middlemen, battling the chains on this front, often in cooperation with the independent retailers, have seen new ammunition coming from investigations such as those of the Federal Trade Commission and the Patman Committee, which have shown the chains collecting huge sums in the way of rebates, commissions, advertising allowances, etc., that independent retailers were not getting.

Most recent disclosure in this line came at the recent hearing of the Department of Agriculture's complaint against A.&P. and a group of meat packers, for alleged violations of the packers and stockyards act (*BW—Nov9'35*). A.&P. was charged with having gained unfair advantage in buying, through setting up what the government considered a "dummy" broker in the person of C. J. Noell, who was said to have collected brokerage fees on A.&P. purchases and then passed the net proceeds on to the chain.

At the hearing Noell admitted that he had been collecting commissions at the rate of 1% on fresh meats and lard, 2% on smoked and cured meats, 3% on specialties and manufactured items. He testified also that his total takings

Business Week

IT TAKES A HEAP O' MONEY—So says Bloomington, Ill., as it listens to the clink of a ton of silver dollars, circulating around town. State Farm Insurance Companies are responsible—to advertise their service they paid off all employees in brand-new silver cartwheels, urged them to pay their bills in hard cash and to keep the money rolling.

from January, 1934, to October, 1935, amounted to $228,000, of which $47,000 had gone for expenses while net profit of $181,000 went to A.&P. Nevertheless, Noell contended that he was not strictly an A.&P. man but was taking business from outsiders—during the period mentioned, he earnestly pointed out, he had earned $74.23 in commissions on other than A.&P. business.

While the hearing also uncovered indications that not all packers had submitted quietly to the Noell setup, the packers' side remained untold because government attorneys brought the hearing to a close when they found their complaint improperly drawn. They had charged A.&P. merely with the "sale" of these meat products and now want to insert "and shipments" to cover the actual procedure complained of.

Establishes Buying Agency

Despite this most recent attempt to strike at the chain's most powerful competitive weapon—low prices—by restricting the opportunities for cashing in on mass-buying power, A.&P. has given notice that it will not only continue to collect commissions but that it will do so through a new buying agency.

It has announced that it has set up in New York a central buying office to purchase meat for the six New England states, Delaware, the District of Columbia, Maryland, New York, and Pennsylvania. That office will collect the same commissions, but as a department of A.&P.

A.&P. claims that already 30-odd packers and suppliers have signed contracts with this new buying office, and apparently is sure of its ability to defend this practice against the attack of the Department of Agriculture.

Business Week

CARRY IT AROUND, PLUG IT IN—Small, compact and easily handled, the "Utah" portable electric range shown at Chicago's houseware exposition attracted much attention. It can be quickly set up and plugged into any convenient outlet, is finished in black baked crackle and chrome plate.

"Fair Trade" Spiked

New York's highest court knocks out critical section in fair trade law, but price-fixing enthusiasts still hope for Washington aid.

PRICE-FIXING enthusiasts took it in the neck this week, when the seven-judge New York Court of Appeals—highest tribunal in the state—unanimously declared unconstitutional critical Section 2 of the Feld-Crawford fair trade law, permitting manufacturers to sign price control agreements with dealers and to force those contract prices on non-signers as well.

The court's history-making decision in the Doubleday, Doran vs. Macy and Seeck & Kade vs. Tomshinsky cases, brought up on appeal from similar verdicts in the lower courts, automatically writes finis to the half dozen court tests initiated in New York. Presumably, it will also have far-reaching effect on judicial deliberations in the eight other fair trade states where identical price control acts have heretofore enjoyed better treatment at the hands of the courts.

The New York plaintiffs will not be able to carry their case up to the Supreme Court, for only the defendant could press a charge that the law abrogated constitutional rights. First case before the nine old men is now likely to be that of Max Factor vs. Kunsman (*BW—Nov9'35*) on which the California Supreme Court is expected to hand down a decision this month. A verdict favorable to price control advocates is not unexpected there, for the whole movement had its rise in California and lower court decisions have almost invariably upheld the law.

Not Beaten Yet

Despite the reversal this week, all is not gloom in the price control camp—and that for three very good reasons:

(1) The New York decision turned on the single point of whether a manufacturer had a constitutional right to compel non-contracting dealers to adhere to established prices. Even if the Supreme Court should ultimately invalidate this feature of the state laws, those sections permitting a manufacturer to issue and sign the price agreements would presumably not be touched. Thus, although the effectiveness of the machinery would be somewhat lessened, manufacturers would still be permitted to pick their customers and try to limit them to those who signed up.

(2) On the same day that the Court of Appeals threw out the fair trade law, the same court in the case of Marsick vs. Eastman Kodak upheld the right of a manufacturer to enter into agreements with his own distributors not to supply those retail outlets which refused to maintain resale prices.

(3) Hopes are still high that Washington will do something to relieve the price-cutting pressure. Admittedly, the New York decisions might be expected to weaken the support which drug interests have contrived to rally for the Tydings national fair trade enabling act, as well as for any version of the old Capper-Kelly resale price maintenance bill which might later be introduced. Their effect on congressional enthusiasm for legislation to limit buying advantages enjoyed by chain stores and large-scale, low-price operators would not be so direct. And Mr. Patman's investigation into chain iniquities continues to make headlines, build up sentiment. Only the prospect of a Congress busy patching up New Deal legislation junked by the High Court mars the picture.

Underhill

HE WENT UP, TOO—Woolworth's price limits have been raised from the old 10¢ top, and C. W. Deyo, as merchandising vice-president, has been credited with being behind the orders. Now Mr. Deyo is raised—to the presidency, succeeding B. D. Miller.

"Frame-Up" Charges Die

Talk that the Doubleday, Doran vs. Macy case (*BW—Nov23'35*) was a "frame-up" and threats on the part of price-fixing booksellers to seek reprisals against the publisher were effectively spiked when the big drug case, Seeck & Kade–Tomshinsky (*BW—Nov30'35*) met the same judicial fate. When the Macy case came up in the lower court, drug price fixers sought to get one of their suits docketed with the book case. The cut-raters aided this undertaking on the promise that manufacturers would forego other threats of prosecution until the issue was decided.

Woolworth's Lid Lifter

New head of 5 and 10 (and up) chain is expected to broaden price range further, despite arguments for low limit supplied by chain profit comparisons.

LAST week, up on the twenty-fourth floor of New York's famous Woolworth tower, where the executive offices of the F. W. Woolworth Co. variety chain are located, C. W. Deyo moved into the president's office.

This happened, not because there was any operating reason for dethroning his predecessor, B. D. Miller, but simply because Woolworth has for years had a lid on age eligibility, which requires that workers, from the president down, retire when they reach the age of 60.

Other Chains Take Notice

It wasn't a long-distance move that Mr. Deyo had to make—simply from his old vice-presidential quarters down the corridor to the larger, more stately suite. It wasn't such a great jump, to the final rung of a ladder on which he had been climbing upwards for over 33 years. It was the significance of his being selected that is making the whole organization sit up and take notice, and incidentally is giving the executives of other variety chains something to think about.

The Woolworth board of directors which did the selecting has 24 members. Many of them are dyed-in-the-wool Woolworth men who, like Mr. Deyo, started at the bottom and are now qualified for the top. But some might be inclined to carry on in the old Woolworth 5-and-10 traditions. That's where Mr. Deyo is decidedly different.

The fact that those directors did select Mr. Deyo is taken by insiders as prima facie evidence that their majority is in favor of all that Mr. Deyo stands for, and that's said to be considerable in the way of exploring new fields.

Mr. Deyo, born near New Paltz, N. Y., 55 years ago, was literally "taken over" by Woolworth when the Canadian S. H. Knox Co. chain of 5-and-10 stores was acquired. He started in the variety chain business as assistant stockman, became a store manager, did such a spectacular job as manager of Woolworth's large Kansas City store that he was promoted to the assistant district manager's post at St. Louis, and then was made district manager at Dallas. From there he moved to a vice-presidency in New York, and has since concentrated on the merchandising phase of the business in all its ramifications.

Those who have studied Woolworth policies in recent years predict that under Mr. Deyo's leadership the whole Woolworth psychology of merchandising and price limits will undergo a process of refinement.

They point out that Mr. Deyo is generally credited with having been the man behind the gun that blasted the 5-and-10 limit, untouched for 53 years, and in 1932 pushed it up to 20¢ (*BW—Mar1'32*).

Then a few months ago the top price was again raised in many of Woolworth's Canadian and American stores, this time to 40¢ (*BW—Nov2'35*) and more recently certain types of merchandise have been offered at prices that meant nearly $1 for a complete outfit, although the components were separately priced at 40¢ or less. All these moves support the often-advanced contention that for Mr. Deyo "there is no price lid at Woolworth."

Trade opinion on an elastic price limit for an organization such as Woolworth is divided. Oldtimers point out that the setup has grown to one of over 1900 stores and prospered spectacularly under the 5-and-10 limit which the original Woolworth established back in 1879, when he opened the first fixed-price variety store in Lancaster, Pa. They argue that new products and improved old products designed to sell at the old 5-and-10 prices are continually coming into the market and that these, supplemented by the highly organized product design and development service which Woolworth maintains, should provide all the opportunities for expansion that the company needs.

Conditions Change

Others reply that conditions have changed since the 5-and-10 limit was established, that the company cannot capitalize its position and experience to the fullest unless it lifts the price lid entirely and begins to handle any line or type of merchandise that adapts itself to the basic principle of the Woolworth operating policies.

Meanwhile, the profit-minded wonder what a complete price-lid-lifting might do to the Woolworth earning record and find that a study of the net earnings of several important variety chains for the seven years 1928 through 1934 raises some doubts.

For instance, among seven leading chains the three that observed the lowest price limits, Woolworth, Kresge, and Kress, showed the highest net profit—respectively $7.67, $7.45, and $7.61 per $100 of sales. Those profit ratios were found to be around 50% higher than the $4.70 average of the J. J. Newberry Co., the $5.20 shown by the G. C. Murphy chain, and the $4.01 of the exceedingly well-managed W. T. Grant Co., all three of which advertise $1 as their top limit. They also exceeded by a substantial margin the $5.76 average of net earnings per $100 sales of the J. C. Penney Co. chain of 1,474 department stores, which has no price limit.

Policy Pattern

These figures appear to argue against price-lid-lifting by Woolworth. However, those who know the inside workings of the organization hold that no higher-priced items will be added unless they fit into a predetermined pattern and can be sold at a price that will permit normal margins for operating expenses and for profit.

Housewares Show

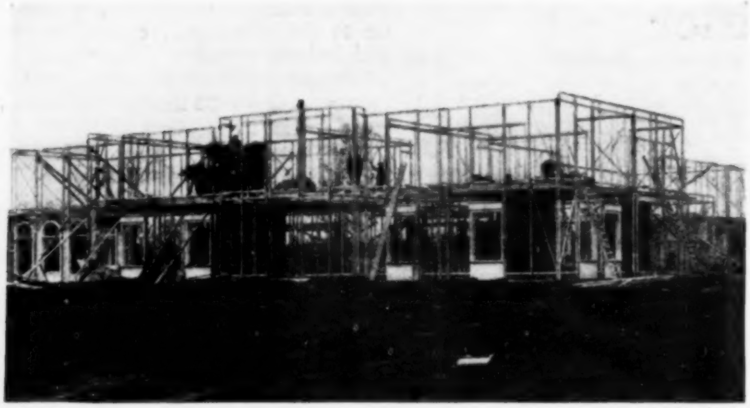
Chicago Merchandise Mart host to 350 exhibitors; new developments featured in displays stressing education of dealers.

THREE hundred and fifty houseware manufacturers this week took advantage of winter furniture and household decorative shows in Chicago to stage their own international exhibit, first of its kind. They leased 260,000 sq.ft. in the Merchandise Mart, world's largest building; 53 took a cue from the World's Fair and put on a Hall of Science to display and extol their products.

As a result, their show was one of the big attractions of the combined markets, which included the winter furniture market, floor-covering exposition,

Variety Chains—Earning Record
(Dollars of Net Profit for Each $100 of Sales)

Name	1928	1929	1930	1931	1932	1933	1934	7-Year Average	No. of Stores Start of 1935
F. W. Woolworth Co.	$8.99	$8.17	$7.85	$6.84	$6.26	$7.86	$7.71	$7.67	1,957
S. S. Kresge Co.	10.62	9.56	7.06	6.49	4.55	6.72	7.16	7.45	731
S. H. Kress & Co.	8.65	8.52	7.71	7.27	5.46	7.93	7.76	7.61	232
W. T. Grant Co.	5.08	4.61	4.73	4.11	2.21	4.27	3.07	4.01	465
J. J. Newberry Co.	7.10	5.70	4.10	3.30	2.30	4.30	5.80	4.70	431
G. C. Murphy	5.50	5.70	3.80	4.50	3.50	6.10	7.00	5.20	181
J. C. Penney Co.	6.14	5.92	4.30	5.13	3.27	7.96	7.61	5.76	1,474



General Electric

45 TONS OF STEEL FRAME, ARC-WELDED—The electric arc played the lead in a General Electric drama at Ottawa Hills, Ohio, when 45 tons of steel went into the framework of "Hearthstone," a palatial Georgian-style home. Both shop and field welding were employed, a portable welding generator driven by a gas engine being used in the field. Largest wall panels weighed only 500 lbs., so that four workmen could handle the job of erection. Total erection time for three floors of frame required only ten days.

winter lamp market, semi-annual curtain and drapery exhibit, and glassware, china and pottery exposition. Simultaneously, shows were staged at the American Furniture Mart.

Nearly one-fourth of the space devoted to housewares is being used to "educate" merchants, rather than to sell them, on the theory that they can go back home and explain to their buyers the fine points of the articles.

Prominent are air-conditioning exhibits; some products for home, offices, and stores are shown in "cut aways" to disclose their workings. There is a demonstration of electric cookery, in which a complete meal is put into the oven, the whole range wrapped in Cellophane, the oven turned on, time clock set and left alone until cooking time has elapsed, when the meal is revealed, perfectly cooked.

Chicago, a Buyers' Center

It's been getting easier to attract exhibitors to Chicago's shows. Most companies are enthusiastic; statistics gathered by Merchandise Mart tell why. Buyer attendance at the Mart last year is estimated at 235,000, buyer purchases in the Mart at $216.8 millions, as against 205,136 buyers and sales of $177.1 millions in 1934. American Furniture Mart is understood to have had a similar experience.

Limiting Car Speed

Gov. Lehman would favor mechanical control as last resort; death rate unchanged.

THE automobile industry last week heard two significant items that affect one of its gravest problems—how to make driving safer without making it dull and reducing the incentive for buying cars.

The first item was that Governor Lehman of New York urged a series of highway reform measures, including, possibly, mechanical control of speed. The second was that the automobile death rate last year was about the same as in 1934.

Governor Lehman's stand was considered immensely important not only because of its effect in the most populous state in the country but because it was expected to influence legislation in other states.

Failure Means Governors

The governor expressed his reluctance to impose mechanical control. "Some believe that the state should enact a law prohibiting the sale, after some fixed date in the future, of motor vehicles capable of reaching greater than a specified speed," he said in his annual message to the legislature; and he added that although Motor Vehicle Commissioner Charles A. Harnett sympathized with this view, he himself was opposed to it for the present. "However, unless corrective results are rapidly obtained from the program I am submitting to you, I would favor the mechanical and automatic control and limitation of speed."

His program is: More stringent regulations to eliminate unsafe drivers; more state police; compulsory inspection of all automobiles; a traffic commission to devise many safeguards; and a maximum speed limit of 50 miles, except where a lower limit is prescribed by the commission or under a municipal ordinance.

The figures on last year's fatal accidents were issued by the National Safety Council. The number was about 36,400, the highest in history, 1% higher than the 36,101 deaths in 1934. But as the population of the country was larger, the automobile death rate per 100,000 was about the same in the two years. And as automobile registrations increased 4.3%, and gasoline consumption 6%, as against 1% for automobile fatalities, it seemed plain that drivers were going more miles without a death than they were in 1934.

Cars for Cars

Rush of new automobiles and rise in rail shipments brings shortage in freight cars with modern loading devices.

A SHORTAGE of railroad freight cars equipped with modern loading devices to handle finished automobiles from factories to dealers is a byproduct of the fall introduction of 1936 models. There are only 24,000 cars properly equipped, and 4,000 of them are out of service for repairs or alterations. The industry estimates its needs at 42,000.

As a result of this situation facing the industry in midwinter, when lake navigation is closed and trucking is handicapped by bad weather, automobile companies have asked the Interstate Commerce Commission to establish temporary tariffs for a 90-day period on freight cars now unequipped with special loading devices which must be put into service. Factories will probably install the older-type wooden devices in these cars (instead of the present steel ones) at a cost ranging from $1-$3 per automobile.

Railroads Make Gains

In the squabble over tariffs and transportation practices, railroads have lost much of the automobile business over a period of years. In 1927 about 75% of new cars were transported from factories to dealers over the railroads. Competition from truckers, who offered lower rates, reduced the volume to 55% in 1930 and finally to 45% in 1932. Then the rail carriers began to reduce rates and improve service. Their share of business rose to 46% in 1933, to 50% in 1934, and increased further the past year (figures are not yet available). Continued gains are anticipated.

Boat shipments of new cars from Detroit have increased mightily in the last 3 years. In 1932 only 3.7% of all new cars were transported to dealers by boat, in 1933 about 6.5%. There was a slight drop to 6% in 1934, but the upward trend was resumed last year. Many thousands of cars are shipped by steamer to Milwaukee, Duluth, Cleveland, Buffalo, then trucked or driven inland 100 or more miles. Few new cars are trucked over 200 miles from factories. Railroads should start there.

A "Comptometer" Division of Liggett Drug Co., Inc.

THE control of business . . . all kinds of business . . . manufacturing, merchandising, transportation, banking—is based on figures. For rapid, easy and economical compiling and analyzing of figures, the "Comptometer" is unsurpassed.

"Our experience over a long period of years," says A. S. Joseph, Auditor of Liggett Drug Co., Inc., "has convinced us that our work can be handled with speed, accuracy and economy on the 'Comptometer.'

"The flexibility of the 'Comptometer' appeals to us because we have such a wide variety of figure work to handle, ranging from simple additions to complicated long-division problems. All of this work is handled easily and quickly on the 'Comptometer.'

"We believe firmly in the use of modern up-to-date office equipment and in pleasant working conditions for our employees—proper desks, chairs, correct lighting and ventilating play an increasingly important part in the successful operation of our office."

This is another example of how the "Comptometer" is serving business and industry—large and small—to speed the production of figure work.

A new brochure, entitled "The 'Comptometer' Line," which illustrates in full color and describes the various models of the "Comptometer," will be sent, without obligation, to interested executives. You may phone the District Manager of the "Comptometer" office in your locality, or write direct to the Felt & Tarrant Mfg. Co., 1733 North Paulina Street, Chicago, Ill.

COMPTOMETER

Reg. U. S. Pat. Off.

Tempest in a Tune Pot

Warner's withdrawal from the ASCAP music pool creates a major crisis for broadcasters.

HARMONIES wafted by patient air waves to radio listeners afford no hint of the musical discord now raging in the broadcasting field. The row results from the withdrawal on Jan. 1 of Warner Brothers' music publishing companies from the American Society of Composers, Authors and Publishers. Up to that date ASCAP was assigned public performance rights of practically all song writers and publishers. It garnered and distributed to members vast collections received under blanket contracts with broadcasters and other music processors. Warner's defection takes an estimated 35% from the ASCAP catalogue, begets an army of threatening questions.

Theme Songs Surrendered

Possible suits on copyrights forced many advertisers to surrender theme songs that have long identified their broadcasts on the big networks. Firestone gives up "Memory Lane," Bayer Aspirin "California Here I Come," Ipana "Smiles." Instead of the single contract covering the entire pool of old and new hits, performers must negotiate separate contracts with Warner.

National and Columbia broadcasting companies will, temporarily at least, go without Warner music. They have agreements covering ASCAP compositions. ASCAP has extended its license (minus Warner tunes) to individual stations with the mutual right to cancel on 2 days' notice. Fear of suits has helped Warner sell to independents. It lists 24 stations that have signed up, claims that 225 have agreed to do so. Warner's is allowing a 3-month period on a flat fee basis. Meanwhile a "piece work" plan will be prepared.

Checking System Required

Many secondary problems complicate the big headache: Warner was a member of ASCAP last June when contracts were signed with broadcasters. Warner has published hundreds of songs for writers who are still ASCAP members. Besides negotiating contracts, Warner must now check and collect individually from broadcasters, movie makers, theaters, hotels, restaurants, dance halls (a service formerly performed by ASCAP). Since Warner's is primarily a movie producer, it stands to lose good-will of theater owners if it moves in with a per-seat levy in addition to the unchanged collection of ASCAP. And most interesting of all—what effect will the Warner withdrawal (which breaks the old solid front) have on the pending anti-trust suit against ASCAP?

Other music publishers are standing by ASCAP. Their take from the common pot would have been reduced had the society accepted Warner's demand for a larger share. Warner's rebellion grew out of a feeling that its big percentage of song hits entitled it to about $1 million of ASCAP collections, instead of the $340,000 it received last year. In addition it charged that ASCAP was operated by a clique which favored certain composers and held down new talent.

The storm over ASCAP emphasizes the growing domination of the ragtime industry by motion picture companies. Publishers so controlled now represent 65% to 75% of all music heard on the air. Warner's started the drive when its "Jazz Singer" (1927) pioneered sound film. Thereafter it paid a reputed $10 millions for a string of publishing houses. Rivals followed suit. Metro-Goldwyn-Mayer now has its music houses, vastly important because they control some 100 popular operettas. Paramount and 20th Century-Fox also have music affiliates.

Primarily these captives were to protect the movie producers' rights in songs popularized through films. Thence they have moved into ownership of old melodies and in other directions.

"Most Critical Situation"

Importance of music to broadcasting can be measured by the statement in the trade press that the present uproar is "the most critical program situation" radio has ever faced. Shrewd pilots of ASCAP know that radio advertisers require music to snare the attention of consumers and hold it until the sales punch can be delivered. The battle cry was that radio had killed sheet music sales and the society bore down plenty hard on radio. Last summer the National Association of Broadcasters tried to promote a piecework basis for payment to ASCAP but that organization refused to give. It is alleged that radio provoked the government's anti-trust suit against the music combination. While they would like to reduce their contributions to ASCAP, the radio companies don't want the organization abolished. Dealings with a single copyright pool have obvious advantages over hagglings with separate publishers.

Last year ASCAP took in some $3,300,000, over half of it from broadcasters. After deducting $800,000 for operation and reserves, the society distributed $1,250,000 to song writers and a like amount to publishers. The rising protest of broadcasters mingled with cheers of most ASCAP's members. The society has done a very handsome job of licensing, collecting, and policing the public performance rights to its commodity.

The late Victor Herbert was ASCAP's father. Present genius of the society is Gene Buck, who staged many a Ziegfeld hit. It is affiliated with similar European organizations. Music users can play any ASCAP tune as often as they please for a flat fee. Large theaters pay 20¢ per seat annually, small ones 10¢. Movie producers contribute additional sums. Broadcasters are assessed 5% of net income on commercial programs, plus sustaining fees for each station.

More Radio Sets

With a 15% rise in unit sales and a 20% lift in dollar volume, receiving set manufacturers enter 1936 ready for anything.

RADIO entered the new year like a young horse on a frosty morning—full of life but skittish. With federal regulation fresh in the saddle and reallocation due in the near future (*BW—Dec21'35*), broadcasters are ready to move fast if danger or opportunity indicates.

Radio has always been quick on its feet, and that's why 23 million families have receiving sets. Last year, as estimated by *Radio Retailing*, there were about 3.6 million table and console receiving sets sold for domestic use, against 3.3 millions in 1934; and 1.1 million auto radio receivers against 780,000 in 1934. Total export sales were

Business Week

STOP THIEF—OR DROP IT!—Messenger bags won't be stolen after Tracelarm Bags become widely known, says the Bankers Protection Co. which announces approval by the Label Service of Underwriters' Laboratories. The bag includes a self-locking mechanism and a trigger loop which, tightened as the messenger lets go, explodes a series of cartridges and expels dense smoke through outlets in the bottom.

approximately the same in each year, or 625,000. About 75% of all domestic radio receivers sold last year were equipped to receive on one or more of the short-wave European sending bands.

Console model sales scored a 45% gain with retail billings $109 millions against $71 millions in 1934. And 73% of all console and table models were sold to buyers who already owned a radio. Most involved a trade-in.

350,000 Battery Sets

Battery sets sold in 1935 total more than 350,000. This was a marked increase due largely to the development and popularity of wind-powered charging generators (*BW—Nov9'35*), of which 70,000 were sold, though in 1934 there were practically none.

The price level on domestic sets was very definitely higher—20% to 30% over 1934. The total retail value of all radio products for home reception, totaling about $300 millions, ran more than $65 millions over 1934. Tube sales last year totaled 75 million, an increase of 16% over 1934, but the dollar return was about the same, due to lower prices. Metal tubes are gaining, though some dealers—and Philco—still advise against them. Bets as high as $5,000 have been openly offered in the industry that Philco will use metal tubes in some models in 1936.

Despite this increase in set sales and the 20% rise in broadcasting revenues to a high of $85 millions, there are those in the industry who feel that radio hasn't yet really learned to sell itself. These interests have in mind a big cooperative effort, jointly financed by manufacturers and broadcasters, to sell the public on enjoyment of radio, *per se*.

Slow and Halting

Attempts along that line to date haven't gotten very far. Back in 1933 when the Radio Manufacturers Association put on a sales drive, broadcasters jumped in and staged a week of special features, but the manufacturers' support for their own campaign was a little short of hearty. Most consistent set makers on the air have been Philco, R.C.A., General Electric, and Atwater Kent. Sporadically, individual radio advertisers take space in newspapers.

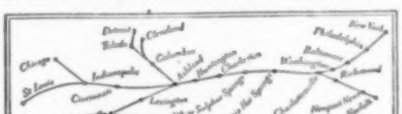
All of which helps a little to advance the cause of radio, but the big cooperative drive is still a thing of the future. One obstacle is that the broadcasting companies hesitate about possible repercussions from an attempt to push the virtues of radio listening via such splurges in magazines and newspapers as would inevitably be part and parcel of a cooperative drive. Set manufacturers are naturally loath to carry the whole load alone, for they feel that the broadcasters would be principal beneficiaries. However, 1936 is likely to see a renewed effort to merchandise radio along various lines.

© 1936 The Chesapeake and Ohio Railroad Company

MR. U. S. TRAVELER has gone courtin'! And his wife isn't a bit jealous — because it's sleep he's wooing and Chessie's his charmer. So it's a "greenhouse full of orchids" to "America's Sleepheart"—and a ticket for him on Chesapeake and Ohio Lines. Will his quest be successful? You can bet your life it will! For never yet has Chessie let down anyone who wanted to SLEEP LIKE A KITTEN in supreme comfort. Find out for yourself sometime. You'll find her address below.

THE GEORGE WASHINGTON · THE SPORTSMAN · THE F.F.V.

The Ticket Agent of Any Railroad Can Route You on The Finest Fleet of Genuinely Air-Conditioned Trains in the World. Insist Upon It!



George Washington's Railroad

CHESAPEAKE and OHIO Lines

Original Predecessor Company Founded by George Washington in 1785

"A-L-L A-B-O-A-R-D The George Washington!" — ST. LOUIS-Union Station • CHICAGO-12th Street Central Station • INDIANAPOLIS-Union Station • LOUISVILLE-Central Station • CINCINNATI-Union Terminal • WASHINGTON-Union Station • PHILADELPHIA-Pennsylvania R.R. Stations • NEW YORK-Pennsylvania Station.

Berry's Hand-Picked Council

"Voice of American industry" with which Coordinator will address Congress has to pass strict voice test.

SYNTHETICALLY produced in his correspondence laboratories, Major George L. Berry's substitute for the long-promised Industrial Council was delivered this week by the President's Coordinator for Industrial Cooperation to his waiting sponsor and to Congress. It has been tagged the "Council for Industrial Progress."

The infinite care with which the council's organization meeting on Jan. 6 had been planned and was put through its predetermined paces indicated clearly that the major was taking no chance in having this meeting flop like his first attempt Dec. 9, 1935 (*BW—Dec14'35*).

Watchful Eye at Gate

Every invited "representative of industry" had been handpicked after written expressions on file at Berry headquarters had indicated that he had sympathetic or perhaps pliable attitude toward the major's objectives. Only those with acceptable credentials were allowed to enter the council chamber in the new Department of Commerce building.

All gate-crashing was carefully forestalled. A corps of the major's stalwarts (including a colonel and another major) carefully examined every candidate, and there were two uniformed policemen on hand to enforce the rules of the gate keepers, which included a ban on representatives of the press.

The way in which the council's birth had been staged was succinctly described by one of the major's own people, who said, "They had to have that check-in system because otherwise some fellows might get in who want to buck what we want to do."

Major Berry formally opened the meeting with one of his characteristic sugar-coated speeches. He was captivating, suave, persuasive. He knew that the 60-odd "representatives of industry" and the 40 labor men were with him. Members of the "council" were warned against talking about its proceedings "on the outside" and convinced that all announcements should be made through a special publicity "committee" of which Major Berry was made chairman.

There were some proposals and brief discussions. Matthew Woll, silver-tongued vice-president of the American Federation of Labor, endorsed everything and sounded a significant warning: "Those other industries that have kept aloof from these congresses will understand that we are speaking for American industry."

Just one and one-half hours after the meeting started the council had been born and took a short recess to snatch a cafeteria lunch, after which the labor delegation and "industry" members met separately to decide on future plans and appoint members to various committees that the major had proposed as the working mechanism of the council.

Then the whole council assembled once more to decide on a program, which again was carefully guided into what the major and his labor friends had conceived as useful and suitable to their purposes. Among the topics listed are: (1) a national industrial policy, (2) a maximum work week; (3) a general wage; (4) child labor; (5) fair trade practices; (6) competition; (7) anti-trust laws; (8) financial aid to small enterprises.

Observers thought that the last item was put in as a gesture to the large representation of small industries in which there are many small units.

A study of the business connections of those listed as "industry" members of the council indicates that the major wasn't very particular as to degree of representation of industry, just so he got his council. Very few of those present were executives of well-known, first-rank companies. There were over a dozen lawyers and many secretaries or paid officials of trade groups. It developed that few had come with authority to commit their groups or appear otherwise than as observers.

Faint Hopes

A forecast of the genuine value that might be attached to any formal announcements, proposals, or resolutions likely to emanate from the council, with Major Berry as its spokesman, came not from any enemy of the major's nor from a representative of industry but from a labor leader. On leaving the final council session, he summed up his opinion of its importance in these words: "They can't do much. There's only a small number of industries represented and those here haven't any power to act, but just to observe. I don't see how anything can come out of it."

Nevertheless, insiders point out, Major Berry will have to present the actions of the council to the President and Congress as the voice of American industry, or pull down his flag.

Schultz

ALL SERENE—No wrangles on the floor or unforeseen recesses marred this second Berry "industrial" conference in Washington. The delegates were carefully selected, and the majority were not empowered to do more than observe, anyway.

SEARS-ROEBUCK INCREASE EFFICIENCY

—

Get more speed and accuracy with reduced operating costs using POWERS PUNCHED CARD METHODS

MR. T. J. CARNEY
Vice President
SEARS-ROEBUCK AND COMPANY
CHICAGO

● "Cataloging as we do 48,000 separate items for more than 400 retail stores, 10 mail order plants and 10 million customers, we *have* to be equipped to get merchandising costs and facts promptly, accurately and as economically as possible," says Mr. T. J. Carney, Vice-President in charge of operation of Sears-Roebuck and Company, Chicago.

"The use of Powers Punched Card Control throughout our organization provides an efficient method of assembling important information."

What about your business?

Powers machines and punched card accounting are bringing definite savings to almost every classification of business. Powers Machines help control selling costs. They improve accuracy of material records.

In dozens of cases, Powers equipment has speeded up collections, helping to get statements into the mails ten to twelve days earlier each month.

It costs you nothing to investigate what Powers machines could do for you. Our representative will gladly show them in everyday operation right in your city if you wish.

Because Powers equipment is made by Remington Rand, which makes all types and kinds of office machines and systems, our representative can advise you impartially and without bias. On request, he will make a complete analysis, recommending Powers only if it will show a definite saving. Since Powers machines are leased, they can be installed without capital investment. Telephone our local office or write Remington Rand Inc., Buffalo, N.Y.

Remington Rand
POWERS
Accounting Machines

OK.. it's from **Remington Rand**

Wanted: Good Men

III—Proper grounding of executive and technical personnel necessitates company schools, industries report. Recovery finds hiring of college-trained men resumed as basis for building up management reserves.

CENTRAL theme of to-day's education-within-business structure, as revealed in *Business Week's* survey of industry's methods in building management reserves, is the conviction that proper training of future executive and technical personnel demands thorough grounding in all phases of the company endeavor. Instruction on one job alone will not do—the new employee must learn as much as he can, about *all* the business he may come in contact with.

Characteristics of company school plans differ as the industries differ (*BW—Dec28'35*). Continuing our inspection of individual treatments, we find:

General Electric — Selection and training of electrical engineering students was begun by G.E. in 1892, and it since has widened its plan. Non-technical graduates have been schooled since 1919 in its Business Training Course. Each year the colleges are visited, and selected technical men are put in the Test Course for a year or two. They then go into the Departmental Plan, Sales Training Course, or the Advanced Engineering Course, for from one to three years. Non-technical graduates are given intensive academic training, in accounting, finance, etc., for from two to three years.

General Mills—For years it has kept such close contact with deans and other faculty members of six or eight large universities that the educators know just about what the company wants, and keep it informed about available young men of promise. After selection, the new employees are usually routed through office departments and into traveling auditor's tests, then to the department where they will fit best. An executive committee of directors keeps close tab on personnel problems, follows closely the development of potential executives, and maintains a long-term plan of training capable replacements for all divisions.

Goodyear—Its Production Flying Squadron is a highly-trained reservoir of personnel, ready to meet temporary or permanent replacement demands from any department. Organized in 1913, the group is constantly replenished by young men from colleges and universities, who follow a definite course of instruction through the plant. Three years of training is standard, and includes physical as well as mental work. For 1935, the Squadron absorbed 299 men from 54 schools, graduated 234 others; 89 went to production and 145 to sales or other departments.

Goodrich—College chemistry and physics departments are canvassed only for certain technical replacements, but a wide selection of college-trained men is made each year, with a view toward placing them in engineering, accounting, sales, and merchandising departments. A broad training in the technology of rubber is regarded as essential for all, with application and attainment determining advancement.

International Business Machines—On a broad, comprehensive educational plan it recruits college men (and women) for sales, mechanical, and engineering training, the engineers being guided toward research and product development or factory management. Selections are made by visits to colleges and from applications. I. B. M. boasts a complete schoolhouse with staff of instructors, courses running from three to six months. Features for student engineers are its factory and engineering laboratory courses, which last about two and a half years.

Monsanto Chemicals—Recruiting by campus visits is followed by systematic training, which varies according to the department for which the new employee is destined. For technical divisions, training in the analytical laboratory runs from six months to a year; from there the man goes into either the manufacturing or research divisions.

National Lead—Engineering students are hired as needed, and put through a Students' Course, which includes gradually lengthened periods of service in various departments. The entire course covers about three years.

Radio Corp. of America—It has no college-contact plan, but the radio school (RCA Institute) offers courses without cost to all employees. Classes are held four times a week, and informal meetings of employees in the same divisions or groups are held about once a month, with lectures followed by general discussion. The company sponsors organized tours, each week, for selected groups who inspect all company activities.

Republic Steel—For both operating and sales, the company selects from its large lists of applicants such college men as are needed. Its Observational Training course is designed to give technically-trained men a practical education, leading to possible qualification for supervisory positions. A feature of Republic's plan is the quarterly report on progress. For sales training, an active sales school has functioned for several years, and its members constitute the foundation for the company's future selling organization.

Shell Petroleum—Each year, a few graduates are taken into its training course, for technical education throughout the branches of Shell's activities.

Socony-Vacuum—Proud of its exceptionally small labor turnover, Socony-Vacuum believes that utmost care in selection and training is well worth the trouble. A few applicants are selected each year (by visit to colleges and through application) for domestic and foreign service. A brief training course is followed by personal contact with department problems. Promotion is strictly on merit.

Stone & Webster—Technical graduates are hired as business demands, after visits and interviews or by application. Training is pursued through the Design Division, which moves from tracing to designing, and ultimately to positions of more responsible nature.

Studebaker—Its plan can be accurately described as "training on the job." From time to time special classes are conducted, but only as supplementary helps. New applications and upcoming men of merit from the ranks take care of Studebaker's replacement needs to such an extent that it can forego formal recruiting.

Timken Bearing—New men, selected either by college-contact or through ap-

Training Executives

Industry's modern methods of building executive and technical reserves, with the colleges as one contributing stream, vary slightly in different plants—but the basic idea is the same. Employers want men already trained, and then want to train them still more.

The college man is highly regarded. Armour & Co. puts the case succinctly: "A number of years ago it became evident that the men who later became executives and who in early days had little formal education, now had become the type most likely to be found going through the universities."

But college is not enough. On further is the company school, the real post-graduate course for the man who is to be placed in a position of responsibility. How the company school works, what variations have been made, are further described here. As in preceding instalments, the survey clearly shows industry is keenly interested, not only in getting good men, but in making them better. By that process, it builds executive-power for the future.

plications, are put to work learning all details of its factory problems, individually and without class work. Next, there follows a period of training—first in the laboratory, then in the Sales Engineering Department. Supplementary group meetings for apprentices are held monthly, with talks by the men themselves and by invited outsiders.

U. S. Steel—College-contact is a part of its broad training program, which includes courses and supervision of apprentices, foremen, special workmen, technically-trained men. A reservoir of qualified technicians is maintained by each subsidiary company, and records are kept on the progress of individuals. The Personnel Advisory Committee heads up its system of company groups and committees, closely coordinated.

Western Union—Back in 1916 the company began hiring technically-trained men for admixture into its large body of employees, slacked off during depression, is looking forward again. About half the annual complement of college men go directly into its electrical and mechanical engineering departments; the other half go into a broad classification known as "operations." Balance of opportunity for every employee is maintained throughout its plan.

Westinghouse—The company keeps close contact with colleges; handles employment through letters, applications, and interviews with those best qualified. A record is kept of each individual's progress, and special attention is paid to study and research. All-around development is closely watched, in addition to technical training.

York Ice Machinery—Its Student Course (established in 1913) divides men into two classes—sales and engineering. College men who are selected for sales work spend their first summer in factory branches, then get intensive sales training at the home office. From there they go to the factories for another period. Engineers are trained for two years in Development or Application branches, then turned to specialization. Regular classes and "lessons" are maintained; monthly inspection trips are a feature. All students are paid monthly salaries and are quartered at a club building owned and operated by the company.

Thus is the company school plan summed up. Many another business favors the intensive development of "college-plus" training, and all are careful to give the man who comes up from the ranks plenty of opportunity to learn more and to advance himself. Among leading organizations which, in part or in whole, follow one or another of the plans outlined above, or are sympathetically inclined and planning courses of their own, are:

American Locomotive, Baldwin Locomotive, Borg-Warner, J. I. Case, Com-

HEATH STUDIOS

PICTURE OF A MAN WHO WAITED *too* LONG

He thought "tomorrow" would be a good time to complete his insurance coverage. He was wrong. The purpose of insurance is to create a bulwark against the unpredictable . . . that might occur *today*. • 6500 local representatives of Standard of Detroit are ready—today—to help you obtain peace of mind. • A program of protection against loss to home, person and business, placed with Standard of Detroit, is good business. Standard is 52 years old, nation-wide in scope. Over a million persons put their trust in this fine old company, with its record of prompt payment of over $144,000,000 in claims. • The most important thing you can do *today* is consult a representative of Standard of Detroit.

Automobile Insurance • Personal Accident and Sickness • Burglary and Holdup • Plate Glass Breakage • Liability (all forms) • Workmen's Compensation • Fidelity and Surety Bonds (all forms)

STANDARD ACCIDENT INSURANCE COMPANY of Detroit

TAX FLOW—Bars at left, proportioned to amount of tax collected from each group named, show how Ohio sales tax burden is divided. Bars at right, proportioned to amount devoted to each use specified, show how receipts are split.

monwealth & Southern, General Foods, Niagara Hudson Power, Owens-Illinois Glass, Packard Motors, Public Service Corp. of N. J., Standard Oil of N. J., Stromberg-Carlson, Texas Co., U. S. Gypsum, Western Electric, Wright Aero, and American Sugar Refining.

Sales Tax, Use Tax

Ohio adds levy on interstate sales for use at home; chart of first year shows chain store share.

OHIO's legislature, in its recent special session, not only reenacted the 3% retail sales-tax law, which otherwise would have expired Dec. 31, 1935, but now attempts to plug some of the leaks by supplementing it with a use-tax, partly fashioned after the hotly-contested California model (*BW—Nov16'35*).

Continuance of the sales tax was generally expected because conditions that originally necessitated this levy still existed. Furthermore, most of the kinks originally encountered in collection methods have been worked out and, with all the border states now also imposing sales taxes, the leakage through trading across the border has ceased.

Most effective argument in favor of the tax, however, was the steady flow of cash it fed into depleted coffers. Its productiveness in that direction exceeded expectations, as shown in an exhaustive report by W. H. Patton of the statistical department of the Ohio State Tax Commission. The report shows by groupings of retail trade just where the tax was collected and where it went.

An accompanying chart broadly pictures the complete flow of sales tax funds, and further breakdowns of the figures demonstrate particularly the great depth to which chain retailing systems have penetrated several important retail fields.

In four retail groupings, for which sales-tax collections are given separately, the figures show that independents accounted for 53.1% and chain stores for 46.9% of the total. The individual score of each group is:

	Independents %	*Chains* %
Apparel stores	52.2	47.8
Drugs stores	53.1	46.9
Filling stations and automobile accessories	54.6	45.4
Food stores (groceries, meats, vegetables)	53.3	46.7

Despite the fact that in these lines the chains have conquered almost half the field, totals for the state show that the chain stores in all lines accounted for only 31% of all the taxes collected.

Those interested in studying the disbursement phase call attention to the considerable portion of the sales tax which is being used for expenses previously met by real estate taxes. They contend that two items, namely, the 35.67% of the amount collected that went for schools, and the 23.77% that went for local governments—a total of 59.44% of the pay-outs—clearly represent a shift of tax burden from real estate to the consumer.

Meanwhile, there is considerable speculation as to how far Ohio will get in enforcing the new use-tax law, which imposes the 3% sales tax on interstate sales, in that it applies on goods bought elsewhere but used within the state.

When California enacted a use-tax, it caused much resentment and confusion which after six months of operation has not yet vanished. It is thought likely that Ohio, in the center of the country, may find it more difficult to keep check on the flow of commerce and to make the use-tax stick.

Paper Towel Facts

Economy not the whole story, makers discover in survey. Selling campaign planned.

PAPER towel makers, doing $7 millions to $8 millions of business annually, believe they are a long way from the saturation point. Cloth towel services have a yearly volume of around $50 millions, and the tissue manufacturers are laying their plans to get a larger share of the total.

The paper towel men are carefully studying results of a survey made for them by *Business Week*, which gives them food for thought on consumer acceptance. Offices using towels (paper, cloth, or both) explained their choice in answering these questions:

(1) What kind of towel service do you use? Cloth, 56.8%; paper, 43.2%.

(2) What factors most important in paper towels? Strength, weight, etc., roughly 33%; color, 6%; sanitation, 31%; economy, 30%.

(3) What factors most important in cloth towels? Desirability of service, 68%; economy, 32%.

In other words, paper towel services make a mistake in hammering away on the economy theme and overlooking constructive selling, says the Association of Paper Towel Manufacturers.

Slow Harmony

Railroad men, truckers, and shippers get down to brass tacks; joint committee studies rates.

REGULARLY on the first Wednesday of each month from now on, a committee of railroad executives, truckers, and shippers will meet for the purpose of developing and expanding plans for "orderly and harmonious action" on freight rates and practices. Progress, if any, will be slow. When discussion at the second meeting, held Jan. 6, got down to brass tacks, it developed that the representatives of the railroads and shippers couldn't commit their organizations—the National Industrial Traffic League and the Association of American Railroads.

Action Held Up

The penchant for formal organization always imposes a handicap on the aspirations of otherwise practical business men; therefore, action on fundamental principles essential to the elimination of cutthroat competition is in suspense. The joint committee appointed as a result of the initiative taken by American Trucking Associations, Inc. (*BW—Jan4'36*) has resolved itself into the Conference on National Transportation, with L. F. Orr, general traffic manager of Pet Milk Co., St. Louis, as chairman. It may justify its existence by the time of the next meeting, Feb. 5.

In New York, also on Jan. 6, shippers held a "town meeting" and urged truckers to start with a clean slate by establishing their own freight classification and rates, independent of the railroads. They advised inclusion of pickup and delivery costs in basic truck rates, with alternate charges for terminal-to-terminal and store-to-store service; also combination rates for (1) terminal pickup and store-to-store, (2) terminal pickup and delivery.

At A.T.A. headquarters in Washington it was stated that to sit down with shippers in hearings to build a truck classification would require several months, whereas rates must be filed with the Interstate Commerce Commission under the new motor carriers act by March 2, to become effective April 1.

Classification compiled by simplifying the rail freight classifications is admittedly a makeshift, compelled by lack of time, and A.T.A. plans to compile its own classification on volume shipments sometime later.

In Plastics List

Business Week's list of plastic materials makers (page 16, issue of Dec. 21, 1935) failed to include under "Laminated Plastics" the Mica Insulator Co., New York. This concern manufactures laminated Bakelite sheets, tubes, and rods which it sells under the trade-name of Lamicoid.

Have you a "Mary Grey" in your office?..

"Mary Grey," as played by Miss Lucille Wall in the Smith-Corona radio program, "Nine to Five"—Thursdays, 7:15 p. m., E. S. T., Blue NBC Network.

She handles your mail . . . types your letters . . . arranges your desk . . . takes your phone calls . . . checks up your appointments . . . keeps your files . . . pays your personal bills . . . and perhaps does errands for you in her lunch hour.

During each day, she strikes typewriter keys from ten to twenty-five thousand times (say six million strokes per year); and each day she shifts keys, for capitals or punctuation, a thousand or so times. Along about four o'clock, unless key action and shifting are very easy, her finger muscles tighten, and that five o'clock ache between the shoulder blades is a direct result—day after day after day. Try it yourself, and see how your nerves and finger muscles stand up!

What to do about it? Just this. After thirty years of making ball-bearing typewriters we know something about easy type-bar action and effortless shifting. And if you haven't provided a Silent L C SMITH to make work easier and faster for *your* Mary Grey—well, sir, our nearest office will show you how to give Mary a Happy New Year from now on!

The Silent L C *Smith*

The one typewriter that operates exactly like standard typewriters—same action, same touch, same speed—yet is *silent.*

Ball-bearing type-bars, effortless Smith Floating Shift, interchangeable platens, choice of carriage return, half-spacing, and all the other L C Smith features. Booklet on request. Ask for demonstration.

L C SMITH & CORONA TYPEWRITERS INC
107 Almond Street, Desk 1
Syracuse, N. Y.

L C Smith Standard and L C Smith Silent Typewriters, Corona Portable Typewriters, Corona Adding Machines, Vivid Duplicators, Type-Bar Brand Ribbons and Carbons.

SILENCE *without* SACRIFICE

THE *Silent* L C SMITH

Hotel Dieu de Saint Joseph Hospital, Montreal, Que.

MODERNIZATION REDUCES HOSPITAL FUEL COSTS

Montreal Hospital Uses Webster Moderator System to Improve Heating Service

THREE-YEAR SAVINGS RECORD

Montreal, Que.—Heating costs have decreased each year since 1932 as the result of a heating modernization program carried out in the Hotel Dieu de Saint Joseph Hospital, here.

In this well-known Canadian hospital, the Webster Moderator System of Steam Heating replaced a hot water system. No alterations were necessary in the main power plant, the original four boilers still being in use.

"During our first year with the new system, coal consumption was sharply reduced," H. Deschamps, the Operating Engineer, reports.

Savings were achieved despite the fact that the Webster Moderator System carried an added heating load. At the time of the modernization, one story was added to the public wards of the Hospital and a new five-story wing, 50 x 100 feet, was added to the Sisters' Residence. The main kitchens were operated 24 hours a day as against 14 hours a day in 1932.

During the 1933-34 heating season, with more experience in operation and minor adjustments in the control equipment, the Hospital made a further reduction of 114 tons of coal. During 1934-35, the third year after heating modernization, the building used 155 fewer tons of coal than during the previous season.

With coal averaging $6.40 a ton, this saving has taken a large slice out of the Hospital overhead.

In hospitals, the effectiveness of the heating system is a major concern. With the Webster Moderator System, the Hotel Dieu de Saint Joseph Hospital is comfortably heated at all times. All radiators receive steam at the same time and in approximately the same amounts.

"We recommend the Webster Moderator System for any building similar to ours," Mr. Deschamps said.

If you are interested in (1) improved heating service and (2) lower heating cost in your building, address
WARREN WEBSTER & CO., Camden, N. J.
Pioneers of the Vacuum System of Steam Heating
Branches in 60 principal U. S. Cities — Estab. 1888.

•

See the Webster Exhibit at the Heating and Ventilating Exposition, Chicago, January 27 to 31, 1936

Lumber Needs New Markets

Too many trees, wood substitutes, taxes worry industry more than government ownership or regulation.

Too many privately-owned trees are the problem of commercial lumbering interests. This, explains their spokesman, is far more serious than the fact that Uncle Sam wishes to own 55% of the commercial and 85% of the non-commercial forest territory. Even the threat to regulate the rest of the privately-owned area pales into insignificance by comparison with small sales. One must recall that lumber consumption of 1932 was just equal to that of 1869.

Annual reports of officials and the New Year statement from the White House stress the importance of land planning, coordinated resource development, and conservation of forest resources. To all of which business men, friendly critics, and some not so friendly, reply that even official findings as far back as 1931 convincingly concluded, "The area now covered with commercial forests and likely to remain available for that purpose, if given ample protection and management, is more than sufficient to meet any probable future demand."

More growing stock is being reported to the Forest Service investigators than conservative officials believed was in existence. Even the most ardent critics of Chief Forester F. A. Silcox do not blame him for the shelter belt. But neither do they credit the Forest Service with the highly-complimented results of CCC cleanups in publicly-owned forest territory. The work of CCC boys is, however, commended for almost everything else than for the number of trees planted in the quasi-arid Midwestern region.

Value of Forests Cited

New forests established on much of the otherwise useless land may not be needed. But advocates argue, undoubtedly correctly, that they are valuable in preventing sheet erosion and silting of streams, for control of peaks of floods from snow melting, for the establishment of new recreation areas. In fact, one spokesman of the industry says America may ultimately become unique, with 150 million people living a highly civilized life close by reestablished primeval type of forests.

The old Pinchot-Ballinger controversy may be reenacted, unless with realistic approach the government faces facts. Lumber spokesmen particularly are now asking in Washington that the government place less emphasis on more trees, and give more attention to more uses for trees. They even have devised a slogan, "To grow more trees, use more trees."

The industry itself formerly was fooled by old-school conservationists. Crusaders were so convincing that lumbermen invested their previous half-century's profits in new timberland with standing timber, anticipating shortages. Now the industry is mainly embarrassed by these huge inventories of high risk, subject to burdensome taxes, unmarketable even where the trees are ripe or overripe for cutting.

Forest Service suggestions in effect require 225 million acres additional publicly-owned forest land, to be principally federal, only partly state. Much of the acreage so acquired, if money is forthcoming, will be for reforested lands, probably not *commercially* forestable soon. But substantial acreages would have to be bought from present commercial owners.

Distrust, Some Fear

No outspoken opposition comes from National Lumber Manufacturers Association, despite obvious distrust, and some fear. Reasons: Many owners have got to sell or the sheriff will get them; opposition might look like anti-New Deal effort, attract attention of reform-minded officials. Then—!

Apparently, low construction activity is only half the story of market losses. The other half is that substitutes are aggressively merchandised, now often push lumber out of even the restricted construction picture. Critics say that this is the result in part of neglect of research on new wood uses. Official investigations by Forest Products Laboratory are perhaps the only well-organized fundamental studies going on with national influence, in contrast with aggressive work by cement, brick, and chemical groups. A big joint program of research on new wood uses is one suggestion offered in Washington.

Taxes come second as a cause of industry distress, with state legislation far more important than federal. And Uncle Sam can make little headway, particularly during depression, in persuading subordinate jurisdictions to give up their current tax income, even by forecasting huge severance or crop taxes when the trees are ripe.

Third great evil—partly an outgrowth of tax burdens, partly a result of lack of self-discipline—is excessive production. Some distress selling of logs, at whatever they will bring, is an inevitable depression effect. Moreover, industry leaders say that much more of this now is bona fide distress, much less than formerly is a result of shortsighted management anxious for early profits.

Ordinarily an incidental nuisance, but now a major cause of distress, are the 4,000 to 5,000 portable sawmill units.

These "woodpeckers" play a nomad game with non-commercial timberland owners, farmers with small woodlots, and others to whom a bit of ready cash is far more important than a stable market. In good timber markets these are merely fleas on the dog. Now they are a major cause of malnutrition among more conservative timberland owners.

Washington will shortly resound with new theories, and Congress will receive numerous legislative proposals. Industry leaders fear that almost all will be based on exaggerated notions of more need for conservation. These business men argue that the only conservation needed is protection from forest fires, insects, and fungus pests. Little legislation is expected, unfortunately none of it on the fundamental of better utilization.

Some pessimists believe the course of the industry is toward complete public ownership of standing timber. This does not mean necessarily public ownership of the lumber manufacturing units; but it does mean, according to reliable forecasters, "far too much chance for federal regulation of the details of what should be essentially private business."

FHA's Thumb Down

Insurance item causes veto of plan to set up building and loan holding corporations for repossessed property. Better conditions seen.

FEDERAL HOUSING ADMINISTRATION has finally turned down a plan, also vetoed by Peter Grimm (Administration adviser in real estate matters) to help building and loan associations move repossessed properties off their hands, attract new share capital, and go in for more new construction. Devised in New Orleans, such an attractive scheme probably would have spread throughout the country. Under it, building and loan associations would have been able to turn repossessed property over to a non-profit holding corporation, receiving FHA-insured mortgages in return, thus converting Class B assets into Class A assets and helping associations to obtain insurance of their shares through Federal Savings & Loan Insurance Corp.

FHA was disposed to consider the plan favorably but finally declined because it would have been obliged to insure the holding corporations. This raises a question as to the intent of Congress because, under Title II of the national housing act, FHA is set up to insure individual home owners as mortgagors.

Just returned from New Orleans where he reviewed the plan with local officials, Deputy Administrator W. D. Flanders said that FHA heartily endorsed its objective but could not ignore

"Regardez, *un escalier roulant!*"

Otis Escalator installation in the International Building, Rockefeller Center, New York City. Architects: Reinhard and Hofmeister; Corbett, Harrison and MacMurray; Hood and Fouilhoux. Consulting Engineer: Clyde R. Place.

PARIS, 1900. The current "talk of the town" is of the Grand Exposition. We single out this couple that is taking in the sights. The lady has just said to her companion, "Look, moving stairs!"

It was at this Paris Exposition 36 years ago that the Escalator made its first public appearance. Since then, it has traveled a long way. Its value was first recognized as a traffic-distributing medium in department stores where it has carried literally millions of shoppers. More recently, its service has been enlisted at a wide variety of strategic traffic points: Street to second-floor bank; subway to street; first floor to basement or cafeteria in various types of buildings; in theaters, railway stations, and public buildings.

In these years, the Escalator has also come a long way in design and construction. Following its development, you can almost plot the progress of a concern whose growth is a history of the development of vertical transportation. You will find Escalators giving good service today that have been running for many years, showing honest engineering and construction. And you will observe in today's Escalator installations gracefully flowing lines and an intelligent use of modern alloys and metals, indicating a spirit of progress in design, as well as workmanship and engineering knowledge.

OTIS ELEVATOR COMPANY

CAPITAL RAISING

Through my extensive connections I am in a position to place meritorious semi seasoned and speculative securities issues with high class brokerage houses in New York.

If you are contemplating a program of this type, your immediate inquiry is invited with the assurance that any information submitted will be received in strict confidence. There is no obligation on your part, as my services are rendered entirely on a commission basis.

Herbert C. Scholest, David Stott Bldg., Detroit, Mich.

GET MORE BUSINESS

— Use Post-Card Ads! —

Now you can illustrate, print and address the cards yourself—all operations—on a simple little machine called the

ELLIOTT CARDVERTISER

Uncle Sam furnishes the penny postal cards . . . you have no cuts to buy or type to set. Businesses of all kinds—Retailers, Manufacturers, Wholesalers—are rapidly discovering big results from post-card messages sent to customers and prospects. Cardvertiser models from $60 to $150. Write on business stationery and receive sample cards your line.

THE ELLIOTT COMPANY

151 Albany St. Cambridge, Mass.

SLAUGHTER · SAVILLE and BLACKBURN, INC., *Engineers*

● Specialists in Locating and Designing Southern Industrial, Chemical, Textile and Power Plants

7TH & FRANKLIN STS., RICHMOND, VA.

For News About Business
Read Business Week

Subscription rate: $10 for 3 years

BUSINESS WEEK, 330 W. 42d St., N. Y. C.

Money
you can be sure of

Many people could get along on a small income if they could be sure of it. Make certain of the little money that spells contentment after your working days are over. Provide an income for the future under a John Hancock retirement plan. You can arrange for as little or as much as your circumstances will permit.

Our booklet, "Money for All Your Tomorrows," tells the story. Let us send you a copy.

John Hancock
LIFE INSURANCE COMPANY
OF BOSTON, MASSACHUSETTS

JOHN HANCOCK INQUIRY BUREAU
197 Clarendon Street, Boston, Mass.

Please send me your booklet, "Money For All Your Tomorrows."

Name ____________

Street and No. ____________

City ____________ *State* ____________

B. W. 1-36

the risk of insuring a corporation whose assets may become depleted. Mr. Flanders explained that the need for such an arrangement is rapidly disappearing. The situation in New Orleans, he said, has been bad but there, as elsewhere, repossessed property now is being freely rented and sold.

Thaw in Anti-Freeze

Winter came too slow for radiator solution makers; 5c.-a-gal. price boost canceled on denatured alcohol stocks.

PARAPHRASING Mellins Food's famous slogan, the anti-freeze industry is advertised mainly by its unintentional friends. For it's when you meet a car steaming down the road like a bad-tempered tea kettle that you put alcohol—or whatever you use—in the radiator. And if cold weather waits too long, the market is badly crippled. That's what happened this season.

Of 36 million gal. of anti-freeze used last winter, about 30 million gal. were alcohol. Competition was keen. This season, better times promised more cars in use. So in an effort to restrain some of the cutthroating, the principal producers of denatured alcohol upped the price in early fall by 5¢ a gal. It was 49¢ a gal., in 54-gal. drums, and it went to 54¢. They also established a consignment basis of distribution, which gave them the right to set the resale price. U. S. Industrial Alcohol Co., Commercial Solvents Corp., Publiker, Inc. and other smaller producers followed this plan. Carbide and Carbon Chemicals Corp. and E. I. duPont de Nemours raised their prices.

No Sales, Price Cracks

But the kettles didn't boil. The consigned stock didn't move, and there was no money coming in. So the price cracked last month and everybody scuttled the extra 5¢ profit.

Denatured alcohol bulks about 66% of the anti-freeze volume and it is here that the hair-pulling comes. U. S. Industrial Alcohol's "Super-Pyro," duPont's "Five Star" (both special alcohol-base anti-freeze solutions), Carbide's "Prestone," a synthetic ethylene glycol product of the glycerine type, and duPont's "Zerone," a methanol product, are all in the higher-price class.

The supply of glycerine has been so short in the last few years that less than a million gallons are now consumed as anti-freeze. Glycerine is being sold in other markets where competition is not so close—in glyptal, for instance, to paint Ford cars. Prestone has been reduced to $2.75 against its original price of $5 and will run this season perhaps 7 million gal. Methanol probably will reach 10 million.

Business Week

PLATE STEEL FOR THESE PANTS —Measuring 43 ft. around the waist, this gigantic pair of pants was made by Allis-Chalmers of riveted plate steel, in a penstock order for hydro-electric units at North Platte, Neb. (Technically, it is a wye pipe.)

Security Tax Rules

Bureau of Internal Revenue issues regulations to govern employers; tax payment due Jan. 31, 1937.

EMPLOYERS subject to tax under Title IX of the social security act (excise tax on employers of eight or more persons) must follow regulations just issued by the Bureau of Internal Revenue of the Treasury Department. The tax applies to the year 1936 and thereafter, but does not become payable until Jan. 31, 1937.

Every person subject to tax is required to keep a permanent record showing: (1) total remuneration payable to employees in cash or any other medium, showing separately (a) payment for services exempted by the act, (b) for services performed outside of the United States, (c) for all other services; (2) contributions to state unemployment funds, showing separately (a) payments not deductible from remuneration of employees, (b) payments deductible, (c) payments with respect to services exempted by the federal statute; (3) other information necessary to determine whether a tax is due and, if so, how much.

Keep Records Four Years

No particular method of accounting or form of record is prescribed. It is not necessary to show the number of persons employed each day, but the total for each calendar month and the total remuneration for the same period must be shown. Records must be available for inspection by the bureau, and must be preserved for four years from the due date of the tax.

Capital Market Revival

SEC figures show new issues of five months after mid-year 1935 more than double those of preceding nine months, reveal how borrowings were used.

A REVIEW of the Securities and Exchange Commission's history from its active take-off date, Oct. 1, 1934, to Dec. 1, 1935, discloses what well may have been the groundwork period of an old-time capital market. But whether or not SEC's first 14 months held that significance, the fact remains that the financing log jam which had held capital markets in its grip throughout 1932, 1933, and most of 1934 was broken.

Partly through intelligent relaxation of SEC rules, partly through cumulative pressure of need for refunding or new capital, and partly through the irresistible attraction of cheap money, American corporations were impelled during this period to seek the largest amount of money that had been asked of public subscribers in more than three years.

Timidity of business enterprise was not entirely overcome, but a start was made and corporations filing new security issues with the SEC sought $101 millions for increasing working capital, $47 millions for purchase of real estate and for improving and extending plant and equipment, and $8 millions for organization, development and purchase of miscellaneous assets.

Last month SEC issued its first annual report, covering the fiscal year to June 30, 1935, and presenting statistics of its operations up to that date. In the accompanying table *Business Week* has extended certain of these key statistics up to Dec. 1, 1935, completing this portion of the SEC's history to the latest available date.

The rising activity of the commission, with the gradual unloosening of the capital markets, is best appreciated

What They Did With the Money

SEC's report on how industries used the proceeds of new securities marketed from Oct. 1, 1934, to Dec. 1, 1935

(In thousands of dollars)

Industry	*Organization, Development, Misc.*	*Real Estate*	*Plant & Equipment*	*Securities: For Investment*	*Securities: For Affiliation*	*Working Capital Increase*	*Refinancing: Bank Loans*	*Refinancing: Bonds*	*Refinancing: Other Debt*	*Grand Total*
Metal Mining	$3,861	$746	$4,375			$2,052	$8	$222	$947	$12,211
Oil and Gas	923	540	3,479			1,050	10		579	6,581
Agriculture		10	67			23				100
Food	600	11	476			5,805	7,116	137,885	6,007	157,900
Breweries	27	9	1,286			459			490	2,271
Distilleries		2	473			9,712	5,000		5	15,192
Tobacco Prod	8				$20	127			1	156
Textiles	40		20			114	6		20	200
Lumber	37	12	229			224		965	1	1,469
Paper			1,580			1,402		2,646	1,126	6,754
Printing & Pub	20		133			321		1,143	1,083	2,699
Chemicals	95		300			531	3,173		2	4,101
Oil Ref	20	22	629			7,439		90,588		98,696
Tire & Rubber									94	94
Building								11,544		11,544
Iron & Steel			15,404			9,831	3,000	116,987	7,604	152,826
Non-Ferrous			20			2,356	700	52,225	1,638	56,940
Mach. & Tools	230		441			2,632	1,836	14,986	641	20,767
Trans. Equipment	479		686			2,034		750	98	4,046
Misc. Manuf			847			759	914	13,088	112	15,720
Gen. Mgement. Cos.			3	$156,996		117		3,840		160,956
Ltd. Mgement. Cos.	1			40,478						40,479
Fixed Trusts	582			87,084		202				87,869
Holding Cos.							17,491	48,598		66,089
Comm. Cred. Cos						32,779	682		70	33,531
Indus. & Pers. Loan Cos.					551	1,438	450	342		2,781
Insurance Cos						574				574
Other Fin. Cos		150			200	9,946				10,296
Merchandising			20			934	3,261	20	46	4,280
Real Estate	6	16	318			192	32		15	580
Transp. & Commun.	5		541			91		64,452	244	65,334
Service Indus	275		2,186			2,010	600	500	1,045	6,616
Utilities	948		11,803		6,391	4,972	10,121	890,081	70,153	994,471
Misc. Indus			462			567	614		81	1,725
Foreign Govts								80,727		80,727
Coal Mining									1,606	1,606
Leather & Mfrs							49		3,787	3,836
Stone, Clay & Glass						308		1,866	125	2,299
GRAND TOTAL	$8,159	$1,518	$45,778	$284,558	$7,162	$101,003	$55,063	1,533,456	$97,618	2,134,315

Business Week

through consideration of the fact that in the 9 months to June 30, 1935, only $625 millions of new securities were effectively registered, while in the ensuing 5 months more than double that amount were registered.

Outstanding in the tabulated statistical information is the fact that securities offered to the public were preponderantly for the purpose of repayment of debt. More than 75% of all registrations were so motivated.

Utilities Lead

Of this striking volume of refinancing, it is notable that more than half was accounted for by the electric light, heat, power, water, and gas companies of the country. No other group approached these utilities in refinancing volume, although money markets were in condition to encourage large-scale refundings at reduced interest rates.

The food and food products group was a poor second to the utilities in seeking money through issuance of securities, largely for refunding purposes. Following closely was the iron and steel group, also seeking to refund high rate bond issues with lower rate bonds.

Aside from the repayment of debt, including refunding of bond issues, settlement of bank loans, and other obligations, the proceeds of new securities issues were used principally for increase in working capital by borrowing corporations. In this field the commercial credit, finance and mortgage companies led. In use of proceeds for plant and equipment purposes the iron and steel group was outstanding, followed by the utilities. Metal mining companies expended the most money on organization, development and other miscellaneous expansion.

Altogether it is apparent that American corporations, while they have come into the capital markets with increasing enthusiasm for refunding purposes, have not yet developed more than a promising young desire to acquire new funds for the purpose of expanding productive and service structures. But as time passes and old facilities age further, pressure for new things increases. SEC's next 14 months may witness a sharp change in the use to which new securities money is to be put.

Goal for Wildlife

First all-embracing conference will ask government agency.

FUSION of all organizations interested in wildlife conservation and a program held to broad general principles will be problems confronting the North American Wildlife Conference in Washington Feb. 3 to 7 inclusive.

Called by President Roosevelt, whose political advisors are not deaf to the rising clamor about fish and game depletion, it is hoped that the conference will bring closer cooperation between public and private interests in this country, Canada, and Mexico toward restoration and conservation of wildlife resources.

Must Be General

Often proposed, but never attempted before, this joint meeting of wildlife conservation interests means trying to resolve concrete action from widely divergent views of Audubon Societies and sporting goods manufacturers. For this reason, recommendations of the conference will be very broad and general.

It is expected that the principal result of the conference will be a recommendation for appointment of a government agency or at least an individual devoted to conservation work. Elimination of stream pollution, federal aid in restocking depleted game areas, expansion of federal game preserves, and kindred subjects also will be discussed and resolutions on them offered.

Despite the general public interest (13 million hunting and fishing licenses are issued annually, and many thousands are broadly interested in conservation) and pressing economic needs, not much has been done by the government except in very recent years.

Besides revenue derived from hunting and fishing licenses, a report, made by the House Wildlife Conservation Committee some time ago and now revived, shows the following additional economic factors tied up with conservation:

Around $275,000,000 is spent annually on sporting goods, other equipment, transportation by hunters and fishermen; game has an annual meat and fur value of $150,000,000; commercial fisheries have an annual value of $116,000,000; insect-destroying value of birds is estimated at $350,000,000 annually.

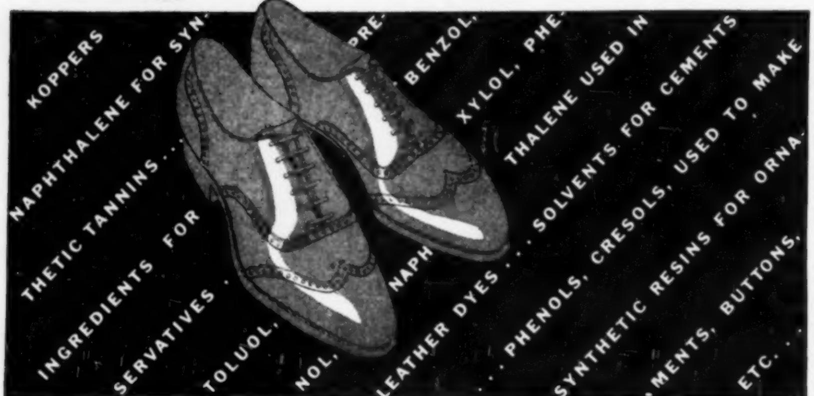
Traps for Shysters

Kansas City "vigilantes" tired of high liability rates; dictaphones, fake accidents used in fight on ambulance chasers.

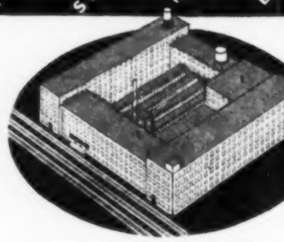
IN casualty insurance circles Missouri is tops for phoney damage claims. Public liability, elevator, and automobile insurance rates average the highest on record anywhere. In Kansas City a semi-vigilante organization, the Liability Protective Association, is making things hot for "snitch lawyers" and their aids, unethical doctors, professional witnesses, and others responsible for the abnormal rates.

Supported by contributions from merchants, trucking firms, street railways,

KOPPERS AND THE *Leather* INDUSTRY



Many an industry which has never directly placed an order with Koppers is still a large user of Koppers products . . . for Koppers is the source of huge quantities of basic raw materials which go into solvents, preservatives, dyes, paints, waxes, oils, resins, wood preservatives and chemicals.



1. Tarmac for Roads. 2. Roofing. 3. Waterproofing. 4. Bituminous Paints. 5. Creosote for Ties and Lumber.

KOPPERS PRODUCTS CO.
PITTSBURGH, PENNSYLVANIA

buses, and railroads, L.P.A. has neatly crossed up the damage claim racketeers by beating them at their own games. By outchasing the ambulance chasers, L.P.A. operators get to accident victims first, warn them of the shysters' tactics.

In order to get evidence against the snitch lawyers for a newly-appointed supreme court committee (it forced five lawyers to resign from the state bar last month following a damage case conspiracy), L.P.A. operators are expert at staging fake accidents. Within a few minutes after a street car or delivery truck has "run down" one of the operators, an ambulance-chasing lawyer (tuned in on the police broadcast) is likely to appear. The "victim" allows the lawyer to take him home, where the case is discussed within range of a concealed dictaphone and stenographer. Today snitch lawyers are wary, not sure which street accidents are being staged for their benefit.

Paradise for Shysters

Existing Missouri laws, which L.P.A., assisted by ethical lawyers, is trying to rewrite, have made Missouri a paradise for shysters. Every transportation agency incorporated in the state has been forced to swallow absurd jury awards. A verdict may be reached by agreement of nine out of twelve jurors. Snitch lawyers solicit claims against transportation companies from alleged victims in Kansas, Oklahama, Illinois, guaranteeing bigger verdicts—and more certain—than possible in the state where the accident occurred. Many national firms doing business in the state have passed up the advantages of a Missouri charter in order to be under federal courts.

Kansas Citians who have read the many news releases of L.P.A. or listened to its speakers have become jury-conscious. The man-on-the-street is told that he is the fellow paying for doubled and trebled liability premiums; not the merchant or the carrier. To encourage jury service officers of practically every large business house have signed a pledge to serve when called, and to guarantee employees full time pay for jury duty.

Claim Situation Improved

Liability rates in Kansas City are still high but carriers are admitting, by accepting more risks every month, that the claim situation is better. For every 50 ft. frontage (not over 10,000 sq.ft.) department stores must pay $416.50, while the same coverage for a Chicago store is only $119.50; in Detroit, $82.50. Automobile and elevator rates are 25% to 50% above average.

Local agents have spent much time in finding brokers to handle lines that their own companies refused to take, and mutuals and reciprocals have flourished, picking out the choice business. This year, however, with a better damage claim situation, local agencies are bound to regain some of this business.

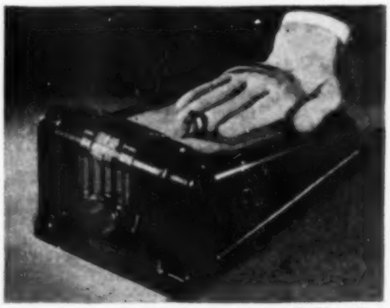
New Products

New things, new ideas, new designs, new packages, new manufacturing and marketing methods.

EAGLE MANUFACTURING CO. announces a two-in-one gasoline and oil can which has a detachable flexible spout long enough to reach the tank openings on any car, and carried in fitted holders on top of the can.

THE new Arctic anti-freeze fire extinguisher offered by the American-La-France and Foamite Industries, has a self-expelling mechanism so that, when the extinguisher is inverted and "bumped," carbon dioxide gas is released and expels the liquid. The manufacturer advertises that the rate of discharge is automatically controlled and that the unit does not freeze even at 40 deg. F. below zero.

GLOVE-FIT, designed by Prof. A. C. Davis of Cornell University, is offered by Gates-Mills, Inc., for accurate fitting of gloves. It is built into a molded plastics housing and provides for a fixed placement of the hand so that, when the adjustment knob is turned, correct width and length are shown.



Business Week

FOR accurate measuring and dispensing of fine oils and other liquids, V. R. Hall Products Co. offers a double-acting measuring pump that delivers ½ oz. or 1 oz. of liquid with each complete stroke of the plunger.

BURGESS BATTERY CO. announces a new telephone booth with acoustically-treated interior of perforated metal backed with balsam wool.

CROSS-PLY CORRUGATED is a new, heavy-duty corrugated cardboard made on the ply-wood principle, with adjoining layers running at right angles. David Weber & Co. states that boxes or shipping containers made from it under a patented process are of extraordinary rigidity and in tests made by the Container Testing Laboratories, Inc., obtained a 50% higher rating than those made of parallel-running layers.

LIGHT-IN-WEIGHT, WEAR-PROOF

Nothing takes tougher punishment than that 24-hour-a-day servant, the telephone. But hard, breakage-resistant Durez assures long life for the instrument and provides a lustrous, attractive, *permanent* finish. Base, handle and other fittings are molded complete in one operation, with wear-proof lustre automatically produced.

A JOY TO HANDLE

Compact, light in weight, and pleasant to the touch . . . the molded Durez case on the Packard Lectro-Shaver adds greatly to the popularity of the unit. The motor and wire connections can be molded right into the self-insulating Durez. The final finish is produced in the molding operation.

Manufactured by Dictograph Products Company, Inc.; distributed by Progress Corporation, New York, N.Y.

DE LUXE PACKAGES

Molded Durez packages make Hickok studs look like a collection of precious jewels. Durez boxes cost little more than conventional packages . . . yet have a far richer appearance. Their permanence and pleasant "feel" will swing many a sale your way.

DUREZ is a hot-molded plastic, simultaneously formed and finished in steel dies. Strong, lighter than any metal, non-metallic, heat-resistant, and chemically inert, its finish can't rust or wear. There are 307 Durez compounds, each with a specific use. When you consider molded plastics, let our technicians specify the proper compound for the job. Write (telling us what you make) for monthly "Durez News." General Plastics, Incorporated, 111 Walck Road, North Tonawanda, New York.

DUREZ

Primed Patriots

Washington believes that impending elections will force passage of a bonus measure at this session of Congress.

WASHINGTON (*Special Correspondence*)—With grim and military determination, the veteran organizations are moving irresistibly up Capitol Hill to victory in the battle for the bonus. Among the emotions admitted by them is a desire to help spend the country out of the depression. Ray Murphy, dewlapped national commander of the American Legion, in a statement issued Monday refers to "pump priming" as a recovery measure, pledges that his legionnaires will prime assiduously. ("The ramifications of the expenditures by World War veterans will reach into every corner of the country.")

Washington has long been resigned to a bonus measure this session. Only questions were what bill and the date of passage. Last year Administration tactics drew Congress into enacting the most objectionable bonus bill—one that couldn't be sustained over the President's veto. Now a veto wouldn't be upheld because an election impends and candidates quail at the possibility of veteran opposition.

Washington believes there is no longer a danger of greenback inflation through the method of bonus payment. But the bonus itself cannot be staved off any longer. Political arguments are so strong that few members of Congress dare to defend the Treasury.

Taxpayers who object to being squeezed for the veterans' pump-primings deplore the fact that present bills leave the door open for future raids. But no Congress can bind the acts of any future Congress. The bonus brigades are sure to re-attack. Veteran organizations have an unfailing system of strategy, perfected by politically-minded leaders following the Mexican, Civil, and Spanish-American wars.

Unite on Vinson Bill

The Patman inflationary bill was strong in the lower house, but the Legion, Veterans of Foreign Wars, and the Disabled American Veterans have joined to push the "united front" bill of Congressman Vinson. It would mark the certificates up to 1945 value immediately, and cash them or pay 3½% interest to those holding certificates to the 1945 maturity date. The Senate's Byrnes-Steiwer plan would advance the maturity from 1945 to 1938, thereby raising the loan value of certificates to 97% of their total; negotiable bonds or cash would be given to certificate holders according to their desire.

Senator Steiwer is not to be bullied by a few ciphers. Says he, "There doesn't seem to be a great difference in the cost of the two plans. About $100 millions perhaps."

The Chamber of Commerce of the United States estimates that if the maturity values of adjusted compensation certificates are now paid in full, the holders will receive $1,277 millions more than Congress originally intended.

Congress authorized the adjusted service certificates in 1924. With compounded interest, they were to produce about $3,465 millions at maturity. The U. S. Chamber of Commerce figures the present value at $2,188 millions. It points out that liens against certificates now total $1,763 millions, that full payment now would require $1,702 millions plus some $200 millions to repay reserve funds from which the government has borrowed to provide loans to the veterans.

Twin Horns

Rise in automobile accessory buying is a good recovery sign.

PROSPERITY item—American motorists last year spent $150 millions on accessories (not replacement parts) for their cars. Buying of accessories surged up in the last 60 days of '35, partly because purchase of many items goes hand-in-hand with new car buying enlivened by fall introductions, partly because of a concerted drive for Christmas business.

One prominent automobile company ordered two and one-half times as much accessories stock for the fourth quarter as for the same period in 1934. Its dealers had exhausted their merchandise and manufacturers couldn't replace it fast enough to keep up with demand. November was a bang-up month. Chevrolet dealers then sold 27,000 radios, their total accessories volume was up 146% from the same month of last year. In the final quarter Pontiac dealers sold five times as many accessories as in 1934.

It's Different Now

Money seems to burn motorists' fingers, for they don't hold onto it long. It used to be that they would wait until the spark plugs were so bad that the car wouldn't run before buying new plugs. Now they drive into a dealer's establishment and want a heater. If the heater isn't in stock, they tell him to install twin horns. It's fine for the dealer, but he can't quite figure it all out.

The buyer of a $550-$800 new car spends an average of about $50 for accessories today. Radios, electric defrosters, heaters, electric clocks, sets of cigar lighters and gear shift lever balls make up probably 25% of total accessories sales. One car manufacturer, however, lists some 115 major items, such as vanity mirrors and seat covers.

Car radios are rapidly growing in popularity. Ford dealers have sold 250,000 sets this year, are offering an improved 6-tube set for 1936. Fifteen per cent of all new Chevrolets are equipped with radios, 25% of all Pontiacs. The proportion mounts as one gets into higher-price groups.

Pontiac is selling heaters for 50% of its 1936 cars, electric clocks for 35%–40%. It has met with marked success

Keystone

UNITED THEY STAND—"United Front" bonus advocates get a friendly reception from Chairman Doughton of the House Ways and Means Committee. Left to right: Rep. McCormack and Rep. Vinson, Ray Murphy of the American Legion, Thomas Kirby of the Disabled Veterans, Mr. Doughton, James E. Van Zandt of the Veterans of Foreign Wars, at last agreed on collection plan.

in marketing accessories in groups, offering three or four items at a price less than if each item were bought separately. For instance, it is selling to 60% of its new car buyers group D (matched dual horns, right-hand sun visor and right-hand tail lamp).

Dealers were able to get far more Christmas accessories gift business than ever before. One reason was that they were carrying larger stocks, had more merchandise from which to choose, displayed it better. Another reason was that their promotional efforts were more aggressive, more intelligent; they did a real selling job, aided by more attractive packaging of the accessories and, in some cases, by national advertising of accessories by the factory (Chevrolet).

Still another reason—people are spending their money again. For all of 1935, business was up about 40%. Most encouraging is the fact that sales are not spotty. Accessories are moving just as briskly in Podunk as in Chicago.

Unlike the replacement parts business, for which the dealer has to struggle against the independent service station to get his share, the accessories business goes almost exclusively to the car dealer. This is because most accessories are put on new cars at the time they are sold. Few major items are bought for cars more than 18 months old. Heaters are an exception; they go onto thousands of cars two to three years old.

Junking Job

Motor industry is going back to helping dealers get rid of used cars. Chevrolet offers a bonus.

CHIEF concern of the automobile industry at the moment is to break the used-car log-jam which threatens to hold back the flow of new car orders (*BW—Jan4'36*). Along comes Chevrolet with a $1-million cooperative plan to help dealers move used cars and to rid highways of unfit vehicles. During January it is paying to dealers $20 for every old car accepted in trade on a new or used car which they dispose of by scrapping or junking (a factory representative does the "cracking up" or watches it). It also is paying a bonus to salesmen whose efforts enable dealers to sell more used cars than in January, 1935.

The practice of junking old cars was in full swing in early depression days, with General Motors and Ford leading the procession. Chevrolet operated a junking fund out of which dealers were paid for scrapping ancient cars. Ford bought old cars from dealers, trucked them to the Rouge plant at Dearborn, moved them down a disassembly line, crushed them in a huge hydraulic baling press and charged the

Guaranty Trust Company of New York

FIFTH AVE. OFFICE	MAIN OFFICE	MADISON AVE. OFFICE
Fifth Ave. at 44th St.	140 Broadway	Madison Ave. at 60th St.

LONDON PARIS BRUSSELS LIVERPOOL HAVRE ANTWERP

Condensed Statement, December 31, 1935

RESOURCES

Cash on Hand, in Federal Reserve Bank, and due from Banks and Bankers	$ 620,600,525.90
Bullion Abroad and in Transit	14,960,217.00
U. S. Government Obligations	474,466,017.17
Public Securities	49,281,788.62
Stock of the Federal Reserve Bank	7,800,000.00
Other Securities	23,825,671.21
Loans and Bills Purchased	592,238,793.76
Items in Transit with Foreign Branches	2,112,677.12
Credits Granted on Acceptances	37,352,025.40
Bank Buildings	13,547,352.39
Other Real Estate	337,581.50
Real Estate Bonds and Mortgages	2,990,698.74
Accrued Interest and Accounts Receivable	7,920,513.65
	$1,847,433,862.46

LIABILITIES

Capital	$ 90,000,000.00	
Surplus Fund	170,000,000.00	
Undivided Profits	7,398,411.72	
		$ 267,398,411.72
Dividend Payable January 2, 1936		2,700,000.00
Accrued Interest, Miscellaneous Accounts Payable, Accrued Taxes, etc.		15,076,421.38
Acceptances	$71,334,590.24	
Less: Own Acceptances held for Investment	33,982,564.84	
		37,352,025.40
Liability as Endorser on Acceptances and Foreign Bills		8,840,400.00
Agreements to Repurchase Securities Sold		2,135,441.00
Deposits	$1,485,303,641.18	
Outstanding Checks	28,627,521.78	
		1,513,931,162.96
		$1,847,433,862.46

WILLIAM C. POTTER, Chairman W. PALEN CONWAY, President

EUGENE W. STETSON, Vice-President

DIRECTORS

GEORGE G. ALLEN . . . . . . Director, British-American Tobacco Company, Limited, and President, Duke Power Company
W. PALEN CONWAY . . . . President
CHARLES P. COOPER . . . . Vice-President, American Telephone & Telegraph Company
JOHN W. DAVIS . . . of Davis Polk Wardwell Gardiner & Reed
HENRY W. de FOREST
ARTHUR C. DORRANCE President, Campbell Soup Company
EDWARD D. DUFFIELD . . . . . President, The Prudential Insurance Company of America
CHARLES E. DUNLAP . . President, Berwind-White Coal Mining Company
LEWIS GAWTRY . . . . President, The Bank for Savings in the City of New York
ROBERT W. GOELET . . . . . Real Estate
PHILIP G. GOSSLER . . . . President, Columbia Gas & Electric Corporation
EUGENE G. GRACE . . . . . . President, Bethlehem Steel Corporation
W. A. HARRIMAN . . . . of Brown Brothers Harriman & Co.
JOHN A. HARTFORD . . President, The Great Atlantic & Pacific Tea Company
DAVID F. HOUSTON . President, The Mutual Life Insurance Company of New York
CORNELIUS F. KELLEY . . . . . President, Anaconda Copper Mining Co.
THOMAS W. LAMONT of J. P. Morgan & Co.
WILLIAM C. POTTER Chairman of the Board
GEORGE E. ROOSEVELT . of Roosevelt & Son
EUGENE W. STETSON . . . . Vice-President
CORNELIUS VANDERBILT WHITNEY Banker
GEORGE WHITNEY . of J. P. Morgan & Co.
L. EDMUND ZACHER . . . . . . President, The Travelers Insurance Company

scrap into its open-hearth steel furnaces (*BW—Aug12'31*). Dealers in several cities cooperated in establishing central junking yards; the plan in Cleveland attracted nation-wide interest. When the depression storm reached cyclonic proportions, most dealers halted scrapping activities.

Detroit has a hunch that other companies will follow Chevrolet's action, that junking programs may come into their own again.

Wide World

FLANKED BY HIS PARTNERS—J. P. Morgan, with Morgan partners Thomas W. Lamont (left), Russell C. Leffingwell (right), and others, describes the course of international finance during World War days for a Senate investigating committee. The white light of publicity was not quite as intense for Mr. Morgan this time, and no midgets were smuggled into his lap for candid photography.

Peace at What Price?

Neutrality bills before Congress would extend mandatory powers of President to regulate war business, would hold exports to "normal" levels and cut off credit.

WASHINGTON (*Special Correspondence*)—On most of the major questions which will be debated in Congress this session there are widely divergent points of view. This is true of neutrality, but not of the general feeling which has caused it to be the first matter up for major consideration. The public in this country wants to keep out of war. It feels that a major conflict is imminent in Europe or in Asia and that this is not too early to set up a plan aimed at keeping the United States clear. On Feb. 29, the hastily enacted temporary neutrality legislation under which the President now acts will expire. It is the purpose of Congress to complete a new program before that time.

What is called the Administration's permanent neutrality bill was introduced by Senator Pittman and Representative McReynolds last week in the two houses of Congress. Their program is more definite than the temporary legislation now in effect, and goes far beyond the narrow limits of the present law. But it fails to meet the rigid demands of the complete isolationist crowd headed by Senator Nye, which presented a more mandatory bill.

The present neutrality act is a narrowly prescribed piece of legislation which does little more than allow the President to embargo a small list of items which can be defined as implements of war. It is more permissive than mandatory.

The Pittman scheme starts with the same base but goes much further. It requires the President to embargo munitions exports to belligerents, gives him power to prevent exports beyond "normal" quantities of other materials than those narrowly classified as "implements of war." At the same time, it proposes that Congress may recommend to the President that embargoes be more rigidly applied to the "aggressor."

Both plans cover credit. The Pittman bill would forbid all loans to belligerent governments, or to individuals representing these governments, beyond those needed to handle ordinary commercial credits necessary for carrying on "normal" exports, or for the renewal of old obligations. Coming just a few days before J. P. Morgan was called to Washington for investigation of his banking house's war loans to the Allies, this section of the bill attracted special attention. The Nye bill automatically forbids new loans or extensions of commercial credit to belligerents.

Finally, the Pittman plan insists that nationals of the United States assume all risks connected with the transaction of business with belligerents, even when delivering those "normal" exports which are allowed in the program. This in an out-and-out abandonment of our longtime demand for freedom of the seas, the issue that has in the course of events finally drawn us into several previous wars.

Nye Bill Inflexible

The Nye plan is more drastic. Washington spectators have dubbed it the proposal of a "peace at any price" crowd. It attempts to make ironclad regulations now rather than leave anything to the discretion of a Congress or a President who may be swayed by emotions of the moment. The Nye bill would fix the years which are to be taken as an average in determining what "normal" exports are, would prefer something of the Bernard Baruch scheme for doing war business (beyond the limits of actual embargoes) on a cash-and-carry basis. This would leave it up to the belligerents to take delivery of whatever materials they wished to buy from us at American ports and after they had paid cash against the documents.

Much of the difference of opinion between the two groups is based on the fact that the Pittman group admits some responsibility for stopping wars abroad, whereas the Nye plan is one of almost complete isolation, leaving the rest of the world to fight its own battles if it gets into them. It is doubtful if either plan would stand if the future of some nation with which we have close ties was seriously threatened by an aggressor. Exporters, aware of the practical problems of carrying on even a restricted "normal" business, probably will support the more flexible Pittman scheme.

Ship Subsidy

New Copeland bill would create Maritime Authority, make grants for building and operating ships.

No great shipping line in the world is wholly self-supporting. In one form or another, governments have found ways to subsidize services in order to maintain regular connections with important markets, build up prestige as well as a naval auxiliary.

Most common method of subsidizing services—and by far the most important in the United States—consists of mail contracts, agreements by which the government contracts to pay a fixed rate for the regular delivery of mails on sched-

uled routes. In this country it has been supplemented by liberal government loans to aid in vessel construction.

The good and bad points of mail contracts have been debated for years. Old timers in the shipping business point back to the days at the turn of the century when the redoubtable Mark Hanna advocated an out-and-out subsidy for shipping, but not even the powerful Hanna could overcome public antipathy to the idea. "Subsidy" has remained a nasty word as far as the public and Congress is concerned until recently. For a year or more there has been a growing tide of sentiment in favor of a change in the method of building up our merchant marine.

Bill Embodies President's Plan

Senator Copeland of New York has introduced a new shipping bill which he calls the merchant marine act of 1936. It is a broad plan, embodying most of the points urged by the President last year, and calling for a complete change-over to a direct subsidy system. Main points in the bill are:

(1) Creation of a government Maritime Authority of three men to regulate shipping just as the ICC does the railroads; and transfer to this authority of the power of the Shipping Board Bureau of the Department of Commerce.

(2) Abolition of the present system of construction loans and mail contracts; substitution of direct payments for operating differential on a contract basis.

(3) Construction of vessels which can be sold to operating companies at a cost no greater than the cost of construction in a foreign yard (the differential not to exceed 33⅓% except on special approval of the Authority); or the provision of loans through the Reconstruction Finance Corp. for lines wishing to build their own ships.

(4) Limitation of builders' profits.

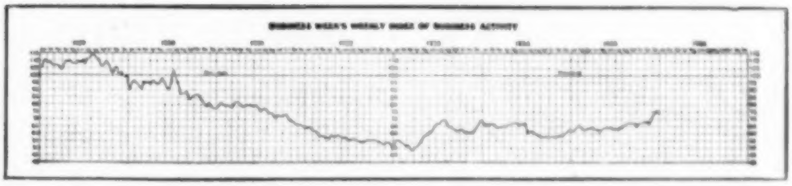
(5) Recapture of owners' profits above 6% a year on a 5-year reserve basis.

(6) Limitation of salaries in lines enjoying subsidies.

Industry Opinion Divided

Operators and builders are divided in their attitude toward the bill. Many operators in foreign services where competition with foreign lines is especially keen favor the bill because they believe they will be assured of larger payments than under the mail contracts. A few successful operators resent the demand that their books be constantly open to public inspection, and their profits limited. Builders generally support this group, for similar reasons.

Into the whole bill is worked the naval auxiliary angle. It is behind the proposal for the construction of a large number of tankers, the scheme to speed up our merchant marine, and the plan to replace obsolete tonnage. In this respect it is bound to stimulate businesses associated with shipbuilding.



A *Chart* TO HELP YOU SCORE YOUR BUSINESS

Many a business man uses Business Week's Business Indicator as a yardstick with which to measure the course of his own business.

To give a quick picture of the long-run trend, Business Week's editors have prepared a chart of the weekly fluctuations of business since 1929. The year 1936 is left blank, to be filled in every week from Business Week's current Index figure.

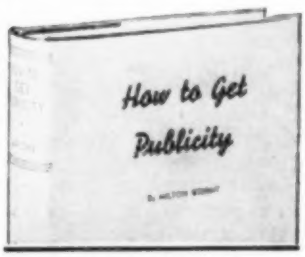
A copy of the chart, 5½ by 25 inches, is available without charge to all readers.

Simply write to the Editor, Business Week, tell him how you use the Weekly Business Index, and we'll mail the chart to you.

BUSINESS WEEK · 330 W. 42nd St. · NEW YORK CITY

What must be done, and how to do it—

to get publicity



Just published

HERE are the tools, the techniques, the whole art of getting publicity for your enterprise, large or small—fully and plainly discussed in this practical manual. The author, an experienced publicist, considers every factor of how to prepare and handle material and where and how to get publicity, in a way that meets the business man's needs.

How to Get Publicity

By MILTON WRIGHT

226 pages, 5½x8, $2.00

Look up in this book—

- —the five relationships affecting publicity policy
- —five questions to answer in studying a publicity problem
- —suggestions for plotting a campaign
- —the six steps in making a schedule
- —suggestions on finding stories, and news
- —eleven rules for publicity copy
- —rules for pictures
- —eleven rules for dealing with reporters

A practical book for every business man, whatever his field or the size of his department or business. Do you want to know how to build a story, handle the mechanics of publicity, deal with editors, newspaper specialists, etc.? This book tells how, with scores of practical suggestions, on all phases of the work, that will help the business man in securing publicity in newspapers, trade-papers, by word-of-mouth, or in any other possible medium.

EXAMINE THIS BOOK 10 DAYS ON APPROVAL—SEND THIS COUPON

McGraw-Hill Book Co., Inc., 330 W. 42nd St., N. Y. C.

Send me Wright's How to Get Publicity, for 10 days' examination on approval. In 10 days I will send $2.00, plus few cents postage, or return book postpaid. (Postage paid on orders accompanied by remittance.)

Name ....

Address .... Position ....

City and State .... Company BW-1-11-36

(Books sent on approval in U. S. and Canada only.)

UNITED AIR LINES

offers overnight service with its faster, quieter twin-engined transports to Pacific Coast cities

You can leave New York, Philadelphia, Washington in the late afternoon; Pittsburgh, Cleveland, Detroit and Chicago in the evening, and transact business in any major city in California, Oregon or Washington in the morning.

TO SAN FRANCISCO
Shortest and Fastest—Fly the direct mid-continent route via Cleveland, Chicago, Omaha, Salt Lake. Both overnight and scenic daylight flights to San Francisco.

TO LOS ANGELES
Close-up View of Boulder Dam—Optional routing—visit both Los Angeles and San Francisco for same fare—going directly to Los Angeles or via San Francisco first.

TO PACIFIC NORTHWEST
The Most Popular Route—Overnight, scenic daylight flights. Fastest through service. Visit Spokane, Seattle, Tacoma, Portland, Vancouver, B. C.—all at no extra fare.

★ Ask about fast service between NEW YORK, Cleveland, CHICAGO. 8 flights in each direction daily!

FOR RESERVATIONS: ANY UNITED AIR LINES TICKET OFFICE, Telegraph Office, Hotel, Travel Bureau.

Canada Plans Loan Council

Dominion agency to aid in provincial refinancing. British Columbia shows how business pickup helps.

It is expected now that plans for Canada's national loan council will be completed at a meeting of provincial treasurers in Ottawa later this month. One of its first duties, if organized, will be to arrange refinancing at 3%, and under Dominion council guarantee, of bonds of those provinces which decide to participate actively. This will probably involve a major portion of the debts of provincial governments, which total $1.6 billions. Possible saving in total annual interest charges on provincial bonds will range up to $30 millions.

Various provinces have had difficulty in meeting interest on their bonded indebtedness during the worst of the depression. To help them through a difficult period, and to maintain Canada's good credit standing at home and abroad, the central government came to their rescue with loans.

No British Columbia Default

British Columbia's officials have protested justly *Business Week's* statement in its first report of the plan for a national loan council (*BW—Dec21'35*) that the province's bonds are in default. This statement was an error. Like many other provinces—indeed, like many other governing units in most parts of the world—British Columbia found it difficult to meet its obligations during the worst of the depression but there was no default. With the aid of Ottawa loans, the province has arranged its finances to meet all obligations.

British Columbia, with loans of about $16 millions from the Ottawa government during the years that revenues were lowest and markets least willing to absorb new issues, will probably join the other provinces in utilizing the facilities of this national loan council.

Tax Income Looks Up

Better business within the province will help to ease the burden by increasing tax income. Agricultural production was up in 1935. There has been an increase in the tourist trade. Mineral output increased nearly 35% in 1934, showed a further 6% gain in the first half of 1935. Lumber interests were threatened for a short time by the trade rupture with Japan, usually a good market, but the new King government has already patched up that difficulty. In addition, a fixed quantity of certain timber products are to be admitted into the United States at reduced rates under the terms of the new trade agreement with Washington. United States interests claim this is not likely to benefit Canadian producers much until there is a further revival of demand. A genuine housing boom here, however, would almost surely create a sufficient demand to bring Canadian lumber into this country.

British Columbia officials are especially proud of their employment record. At the end of November, 1934, the employment index stood at 91.3. By the end of last November it had advanced to 98.5. Commercial failures last year were fewer than one-half the total for 1934. Building permits, another index of recovery, were up nearly 150% in 11 months of 1935 compared with the same period in 1934.

Trade With France

Recent quota changes by Paris are no breach of agreement. New trade pact expected this month.

In the face of the general expectation that Paris and Washington are about to announce a new trade agreement which will expand the flow of goods between the two nations, there is a rumor of new trade quotas imposed by the French on all imports for the first quarter of 1936 which reduces American quotas.

The French have protested this report, explained that the new quotas were not reductions except on a few items, and that these were not covered in previous agreements with the United States.

Radio Imports Balanced

American radios and tubes will be shipped into France in the same volume. The slight cut in the radio quota for the first quarter was due to the fact that the quota for the last quarter of last year was exceeded. The new total simply writes off that excess.

Electrical refrigerators will enter France on a quota based on the import average for the first 5 months of last year. This is an entirely new quota figure. Agricultural machinery quotas—now slightly smaller—are changed because of changes made in the listings in Paris.

More important to the bulk of the American manufacturers and exporters who deal regularly with France is the prospect that the new reciprocal trade agreement with Paris will be signed before the end of January. Details are not revealed, but it is expected that major concessions to the French will be duty reductions on wines, and to the Americans increased quotas for automobiles and accessories.

Business Abroad

Business speculates on wide Pan American program possibly discussed with Mexican Finance Minister in Washington. France is unsettled by domestic politics. Russia begins to export manufactures. German industry fears pinch of curtailed public works.

BUSINESS leaders are increasingly looking to Latin America for new market outlets. European and Japanese executives are as aware of the commercial possibilities in these nations as the United States.

The Roosevelt Administration set itself up in 1933 to pursue a good neighbor policy, particularly in the Western Hemisphere. Four of the nine reciprocal trade agreements have been with Latin America, and Cuba was the first country with which a new pact was negotiated.

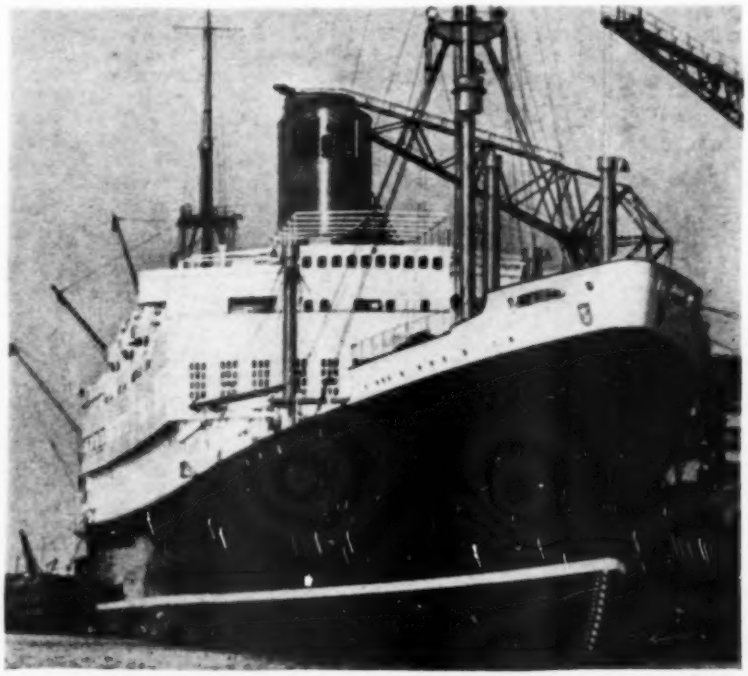
When Washington inaugurated its silver program, Mexico and Peru (with Canada) were important producing neighbors bound to benefit. The rise in the price of silver from the low of 25¢ to something above 85¢ did more than anything else to stimulate the recent wave of prosperity in Mexico.

Blow to Mexico

Naturally, Mexico was the first to suffer when the price collapsed to less than 50¢. About two-thirds of the monetary reserves backing Mexico's currency are silver. Collapse in the price of the metal not only affects a major Mexican industry but it threatens the stability of the Mexican peso in all foreign money markets.

When the Mexican Minister of Finance, Eduardo Suarez, flew to Washington for conversations with Secretary Morgenthau, all Latin America was interested. Would they discuss some plan for Mexico to exchange silver for gold so as to establish a broader backing for the peso? Was a wider plan under consideration involving ultimately other Latin American currencies strongly influenced by silver? Was symmetalism discussed? Is the United States going ahead with an often-rumored plan to make actual loans of gold in Latin America? Is a vast plan for closer Pan American trade in the offing?

All officials refuse to reveal what they discussed in Washington last week. Mexico probably received assurances that the silver buying program is not going to be dropped completely, though the price may not recover much above the 50¢ level. Beyond that, business is left to watch for new straws indicating how the political wind is blowing.



European

BREMEN TO SHANGHAI, ONCE A MONTH—Turbine driven at 20 knots, the new North German Lloyd express liner *Gneisenau* is on her maiden voyage from Bremen to Shanghai. Including calls enroute, the trip will end in 34 days, will enable the German line (which has two other express liners plying between Bremen and the Far East) to offer once-a-month service. Substantial increase in trade, in both directions, is foreseen with inauguration of regular schedules.

Germany

Cost of living is rising sharply in Germany. Manufacturers fear end of government spending will bring slump in business.

BERLIN (*Cable*)—Germany has not started 1936 optimistically. Keynote of practically all annual business reviews was the fear that the government would be forced during the year to reduce drastically its expenditures for public works. Since these projects have accounted for nearly three-fourths of all new business, the seriousness of the situation is plain. It means that consumer buying, already below last year's levels, is likely to decline, for employment cannot be continued at present levels on private initiative.

The present situation is serious; the outlook gloomy. Beginning Jan. 20, freight rates are to be increased 5% on shipments of all but food products and exports. This move has been necessitated by the inability of the railroads (which are government owned) to meet current obligations and continue to place the huge orders for new equipment which are so important to the steel industry. The new higher rate is expected to yield nearly $40 millions which will immediately be spent with Germany's heavy industries.

Real Wages Decline

Really significant aspect of the move is the admission that Germany may not be able to maintain prices at present "fixed" levels. There is an increasing number of cases where the government has been forced to "adjust" prices because of the stringent conditions in Germany. This is likely to raise ultimately serious social issues. A conservative estimate of the decline in real wages in Germany during 1935 is 10%. This contrasts with an increase of nearly 5½% in the United States.

In contrast to sluggishness among the consumer goods industries, heavy industry in Germany continues to operate at a high rate. A total of 105 blast furnaces are working in the steel industry now, as against 75 at the beginning of 1935. The Machine Manufacturers Association reports 470,000 workmen employed now, an increase of 75,000 over a year ago. Exports of cutlery touched a new high in November.

Foreigners are still attempting to "work out" their frozen balances in Germany. Figures just released on German shipyard activity give the total of new tonnage under construction as 400,000, one-half of which is for foreign owners. One yard is reported to have received recently an order from the Yugoslav navy for speedy motor boats.

France

Political crisis affecting franc feared when parliament reconvenes Jan. 14. Floods slow business in many parts of France.

PARIS (*Wireless*)—The Chamber has passed the new budget with an apparent balance and the discount rate at the Bank of France has been reduced to 5%, but business leaders are pessimistic.

Parliament reconvenes on Jan. 14. At its last session it gave the Laval government a majority of only 20 in the debate on foreign policy, involving the Laval-Hoare plan. Only 10 days earlier, the Laval majority had been 52. Remembering that the French parliament has never turned out a cabinet on questions of foreign policy, business doubts that Laval will be sustained on the first major domestic issue to come before parliament when it meets next week. These are the fears behind the present weakness of the franc and behind general business uncertainty.

A part of French political strategy to win support for the present government has been to warn the public that the fall of the Laval government almost inevitably would entail devaluation of the franc. If the government does fall now, it is entirely possible that a panic will develop among an already jittery public. And if this gloomy outcome can be avoided, a new government which almost surely would have in it important Leftist elements would probably encourage devaluation.

The discount rate has been reduced to 5%, but there is small prospect that it can be cut further. Government revenues are down. So are exports. Automobile production dropped 10% last year. But retail sales during the holidays are expected to show improvement when final returns are posted.

Wide Flood Damage

One of the most serious immediate problems facing the country now is the floods which are affecting such widespread areas as the Garonne, Seine, Loire, and Rhone valleys. Several important business centers have been cut off from Paris and the rest of the country; rail travel has been slowed; important roads are under water. Admitting the seriousness of the present situation, business has not refrained from admitting that destruction of wine and wheat stocks will help build up a sounder economic prospect for the future.

There are rumors that the government is again considering a credit for Moscow, the proceeds all to be spent in France. This is not likely, at least until there is a change in government. The trade agreement with the Soviets has been extended for one year, but France has not yet ratified the treaty of alliance with the Russians because of the immediate unfavorable effect it would have on relations with Germany, and possibly with Great Britain. Any but an extreme Leftist government would probably attempt to keep this project in abeyance as a bargaining weapon in dealing with Russia, Germany, and Britain.

The general election is now expected not later than the end of March.

Great Britain

Coal strike probable; immediate government intervention expected. War insurance rates drop.

LONDON (*Cable*)—Business interest is focussed on two problems this week: the possibility of a coal strike, and developments relating to Italy and the trouble in the Mediterranean.

There has been no settlement of the coal dispute, and it seems likely now that the miners will strike. Because of the effect on industry of any prolonged strike, the government is expected shortly to force a settlement.

The miners are demanding two things: an increase in wages, and negotiation of wage increases and working conditions on a nationwide, rather than a regional, basis. Owners are willing to talk increases for some districts, but have stoutly refused any country-wide settlement.

Forced Arbitration

The government will probably intervene. It has already announced a plan to buy up privately-owned coal royalties. It has attempted to set up coordinated selling agencies which will ensure that more of the money earned by coal will go to the producers.

Owners claim that they already pay out 80% of all income in wages and that the depressed condition of the export business will not warrant meeting the demands of the miners. More than 720,000 workers are behind the strike threat, however, and all Britain's industry, including the plants working on important war orders, is dependent on the domestic coal supply. These two factors will be behind the energetic action from the government to bring the industry to terms—probably the miners' terms.

War risk insurance on shipments to the Mediterranean and Red Sea has been reduced by Lloyds. Captain Eden is expected to press for oil sanctions at Geneva on Jan. 20, but the cabinet is strongly divided on the question.

Canada

Parliament will meet Feb. 6. Plans are ready to push nationalization of Bank of Canada, increase foreign trade, expand air service.

OTTAWA—The federal parliament has been summoned for Feb. 6. Among the legislative measures under consideration for the session is one to implement Prime Minister Mackenzie King's election promise to nationalize the Bank of Canada, the central banking institution of the country. Governor Graham Towers of the Bank of Canada has been in consultation with Finance Minister Dunning on the question. While it is

Acme

UP TO HIM—If there is an announcement of the terms of the United States-Mexico silver pact, it will come from Finance Minister Eduardo Suarez or one of his colleagues. That is what Secretary Morgenthau said, when asked for details of the "mutually satisfactory" agreement this week.

suggested that the effect of nationalization could be accomplished without taking over the bank stock from private hands but by making it non-voting, thus vesting control in the government, it is understood that the plan under consideration involves acquisition of the stock by the government. Finance Minister Dunning, who has the matter in hand, has just secured a seat in Parliament by acclamation from a Prince Edward Island constituency. About 12,000 shareholders own $5 millions of the capital stock of the bank, par value $50 and present market value around $53.

More Empire Trade

Federal government plans for 1936 include arrangements for expansion of the country's external trade. Steps already have been taken toward revision of the trade pact with Great Britain. The government's aim will be to enlarge the British market for Canada's natural products, especially grains, livestock, and meats. British quotas have had a hampering influence on the importation of these products from this country. As an inducement to Great Britain to lower restrictions on Canadian natural products, the Ottawa government may be prepared to reduce tariffs on certain British textile, iron and steel products. This would be done in a manner to avoid interference with concessions granted the United States under the new trade treaty.

The government is considering plans for completing the trans-Canada airways system, begun a few years ago as an unemployment measure, with the construction of air fields at intervals across the country. For some years

nothing has been done in the way of operating or subsidizing the operation of a commercial airways service. It is now proposed to resume this year the air mail service formerly operated in western Canada.

The Ontario government reports that it is now in a position to pursue a "pay as you go" policy. At the close of the calendar year it had cash on hand and revenues in sight to meet all maturing obligations and maintain all services and it will have a substantial balance at the close of the fiscal year, Mar. 31. Revenue from succession duties increased \$2½ millions while receipts from the amusement tax were \$1¾ millions, three times those of the previous year. Other sources of revenue also were up.

Soviet Union

Four-fifths of Russia's exports are now industrial products. Highways and railroads in Siberian Russia are rushed for security.

Moscow (*Cable*)—Nearly 80% of Russia's total exports last year were industrial products. Trade officials declared in Moscow this week that the total of industrial products shipped abroad in 1936 would double the figure for last year.

Up to the end of the first Five-Year Plan, the bulk of Soviet exports consisted of non-manufactured goods such as timber, oil, ores, and agricultural products.

The change has come since 1932 with the development of a great industrial plant capable of producing many kinds of goods. Technical improvement in the last two years has been so rapid that in some lines the Soviet Union is able to compete now on equal terms with the best European products. This does not mean that Russia is giving up newly developed Eastern markets. Sales of agricultural machinery to Iran, for instance, increased last year to nearly five times the 1934 total. Metals, machine tools, and motors continue to sell readily in Turkey, and the Soviets are practically building up a new cotton textile industry for the Ankara government.

During 1936 the Soviets will invade European markets in Finland, Estonia, Latvia, and Lithuania for the first time with exports of metals. Electric equipment, electric motors, telephone and radio apparatus will be pushed in Europe, and Soviet ball bearings, electric welding equipment, and tractors will make their first appearance in Western markets.

An important item in Soviet exports is pig iron, which now is exported to 33 countries, including the United States and South American countries which previously used English, Dutch, and Swedish metal. Pig iron exports in 1935 were nearly three times the total for 1934.

Strategic Highways

Two important transport projects have recently been completed in Russia. In the Far East, a new 800-km. highway connecting Khabarovsk and Vladivostok is now ready for heavy traffic. It is strategically important in the defense of the narrow belt of land which Russia controls between Manchukuo and the sea. Motor cars can cover the distance between the two cities in 18 hours on the new highway. Motor lorries require nearly 30 hours. Some of the Soviet's most important army bases and military air fields in the Far East are located in the vicinity of this highway.

In south-central Asiatic Russia and in the vicinity of the much-publicized Turk-Sib railway, the Soviets have just completed a new stretch of railway opening up for exploitation an important copper producing region. The new road connects Karaganda, where there are important coal deposits, with Lake Balkash—a distance of 488 km. The Balkash district is rich not only in copper but also in tungsten, lead, and molybdenum, and the new railroad will provide an outlet for these minerals. A new copper refinery is already under construction and is expected to produce 100,000 tons of copper in the first years of its operation.

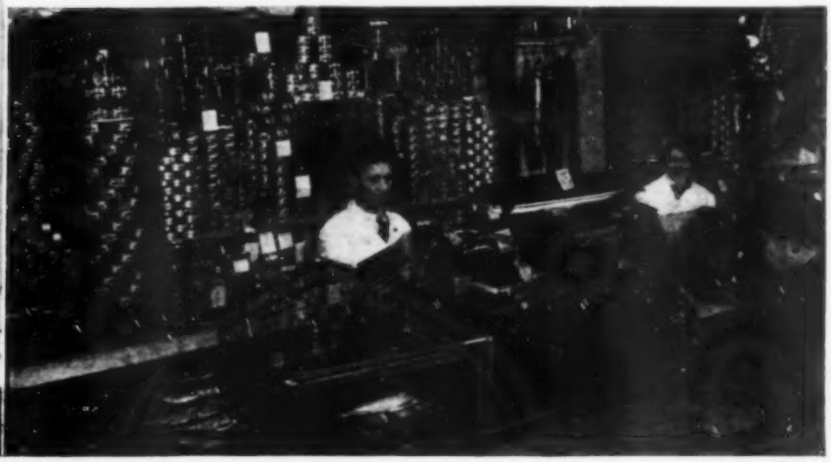
Far East

Japanese industrial profits mount, except in rayon industry. Production record summarized.

PROFITS in most industries were larger in Japan in the second half of 1935. The munitions industry and electric power companies showed the greatest improvement. Sugar and fertilizer companies reflected better business in rural areas as higher rice and cocoon prices boosted farm buying. Rayon producers generally showed the poorest profit results for last year. So far 26 leading companies in Japan have announced increases in their dividend rates, while seven have announced reductions, and 57 have decided to retain their former rates.

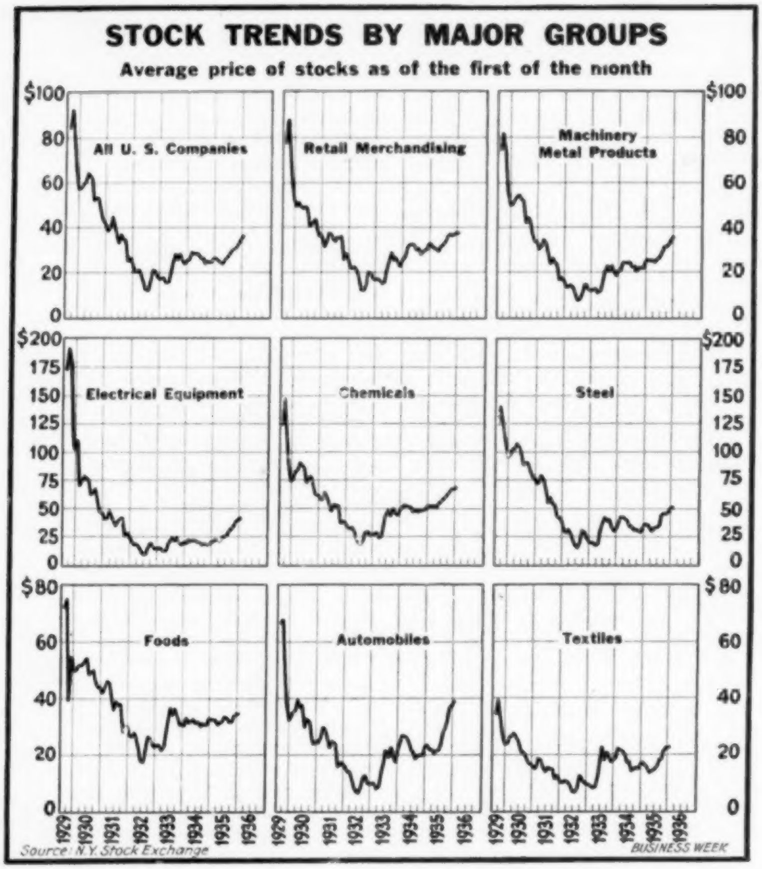
Just now being released in Japan are details of the Ministry of Commerce's study of industrial production in more than 80,000 factories in 1934. Percent of gain of 1933 is listed in the following summary:

Industry	%
Spinning and weaving	6.4
Metal	34.3
Machine tools	23.2
Ceramics	10.6
Lumbering and woodwork	21.3
Printing and bookbinding	4.1
Foodstuffs	1.5
Gas and electricity	30.5
Other industries	15.8



Sovfoto

RUSSIA'S NEWEST BIG BUSINESS: FISH—New fish stores just opened in Moscow are doing a capacity business. Specializing exclusively in fish, fish products, and other sea food, they are the final links in a chain which begins with airplanes (extensively used in spotting shoals) and which employs a vast fleet of trawlers busily engaged in Soviet waters.



Ford Financing

Universal Credit joins the parade toward lower and simpler payments on new cars.

AFTER six weeks of suspense in auto finance circles, Ford has at last blazed out with his end of the general movement to reduce finance charges which has been under way for the better part of a year (*BW—Oct26'35*). Last week the Ford Motor Co. announced that Universal Credit (Commercial Investment Trust subsidiary and official Ford finance agency) was introducing a new plan involving substantial savings compared with former charges.

Ford put a good name on the new plan. It's called the "Ford $25-a-month plan." It presents new car financing on a basis of $25 a month maximum payments, extending the allowable repayment period to as high as 30 months, limiting finance charges to ½% per month (6% annually) computed on the original unpaid balance plus insurance cost (same as G.M.A.C.). Down-payment is not specified; presumably it will be the one-third in vogue with the other credit companies.

The $25 maximum figure is not necessarily rigid. The car buyer may, at his desire, arrange for lower monthly payments by making a larger than usual down-payment or more valuable trade-in. Or he may work off the indebtedness in larger chunks on a shorter time schedule. But for the usual run of financing, all Ford asks is $25 a month and the same financing fee of 6% that the G.M.A.C. plan and other credit company plans have required since the rate reduction wave broke loose in October, 1935. The wide appeal of the new, simple terms has already been convincingly demonstrated.

Following a steady loss of business to banks since early 1935, auto finance companies got down to ringside form by the October reductions and the advancement of an A-B-C plan that told the customer just what his financing costs were going to be. Now Ford is lining up with the rest of the industry on rates, and at the same time going a shade farther by letting the buyer know just what his monthly cost is going to be without involving the buyer in higher mathematics.

The whole situation is just about at a stabilization level. Even with money as cheap as it is, the finance companies can hardly afford to clip any more from their aggregate charges. So the competition from this point on is likely to be along the lines of service, smiles, and the quality of the automobiles.

Where Gold Goes

Increasing amount of record gold influx finds its way into securities.

DECEMBER, 1935, sustaining the heavy rate of gold flow to this country, accounted for net imports of $190 millions to cap the staggering total of more than $1.6 billions of gold for the full year, a total that has added tremendously to our existing problem of piled-up idle funds. Much more than half the year's total rolled in during the final six months, October marking the extreme peak of the movement. In 1934, following stabilization of the dollar at the new value, the huge $1.1 billions of gold, now dwarfed by the 1935 flood, reached us from abroad.

The potency of this move by outsiders to gild our economy is one to be reckoned with. What is the character of the hoards that we have received?

It works out about like this: Roughly $4.4 billions of gold, silver, and stocks and bonds have been sent here since the dollar was stabilized in February, 1934 ($2.7 billions gold, $1.4 billions securities, and $350 millions silver).

Debts Offset a Portion

As an offset to this influx, foreigners owed us $470 millions for merchandise and services, $150 millions in service on debt held here, and $1 billion in repatriations of American funds, all of which reduced net arrivals here to about $2.8 billions. Of this amount probably $600 millions has drifted into foreign deposits on top of the $750 millions already here at the beginning of the period, making a total of $1.3 billions which foreigners can readily withdraw.

The remainder, after all these corrections of the $4.4-billion total, is $2.2 billions. A considerable part of this remnant has gone toward the repurchase by foreign countries of their own securities, but by no means all of it, for our security markets have attracted a heavy quota of investment.

Foreign Investment Increases

Particularly in late months has foreign investment activity in our markets been large. The English and the Scandinavians have found our security markets much to their liking, making large totals of simon pure investment commitments. This is particularly striking in the case of English money, which continues to be restricted in investments away from home.

The $1.3 billions on current deposit for foreigners, referred to in international banking circles as "scared money," belongs largely to the French. But it is no hazard to us. We would be glad to get rid of it and glad to have the French situation sufficiently improved to attract it. We need to lose gold, and France is one of the few nations we can now ship to.

Money and the Markets

WHEN the Agricultural Adjustment Act was invalidated this week (page 5), the occurrence was of the utmost importance to the financial world. Not only are the political (and possibly economic) ramifications of the decision momentous, but from a purely financial and market standpoint the path marked by the Supreme Court is one of prime significance to commodities and securities alike.

The AAA, on the whole, was unpopular in financial quarters. It lacked friends not because it was federal agricultural control, but because its form was not compatible with our governmental ideas, because its taxes were laid on only a few industries and thereby injured the competitive position of those industries in relation to other industries, and because there was some opinion that it tended, over a period of time, to narrow our foreign trade in important commodities.

A widely held business view was expressed this week by Donald D. Davis, president of General Mills, who warned that the Court decision was no solution of the agricultural problem, that the problem still remains to challenge the ingenuity of industry, agriculture, and government alike.

Because of this, there was no elation in conservative ranks. And because the problem posed is a long-term one, not an immediate one, there was relatively little disruption of values in either commodities or securities. The answer will take time. Its effect on finance will be slow.

Net results of the decision in commodity markets were mild. There was a great deal of nervousness, with few severe changes in values. In security circles the markets took cognizance of the fact that some corporations will be relieved of a strain, with consequent benefit to profits, and others will possibly find their markets curtailed by a potential decline in the income of their customers.

Stocks Strong After News

Strength and activity characterized the stock market after the first weakness following AAA's sudden death. Food processors, tobacco companies, and other beneficiaries of tax elimination were favored, mail-order shares were hurt a little; railroads were helped.

More than one observer is puzzling these days over the active appearance of the market. The public is getting in again. It looks almost as if the old fever is recurring in a moderate way. Chairman Landis of the Securities and Exchange Commission notices it. In a report to Congress he predicted more active trading on stock exchanges next year, and expressed the belief that it will have to be watched closely and that it is necessary also to control over-the-counter trading.

Financing circles enjoyed a fair pickup in business. Republic Steel Corp. earns the distinction of filing the first big issue of the new year with the SEC. The company seeks to issue $45 millions of general mortgage bonds, chiefly for refunding purposes.

Syndicates bid high for the $31 millions of Pennsylvania Railroad secured serial 4s offered this week by the Reconstruction Finance Corp.

Cotton Is Worst Hit

The heaviest immediate damage from the AAA wipe-out fell on cotton. The reason was clear, for the Bankhead control system was obviously doomed by the court, and this part of the general cotton program was one of the most vital ingredients of price sustenance. Between the Bankhead acreage control and the commodity loans lies the entire reason for the more than doubling of the cotton price from depression lows to the recent best.

The next cotton crop will be planted in the spring, picked late next August and onward. Unless new controls are instituted before planting time, acreage may go up to 48 or 50 million and the final crop possibly to the former average levels of 12 to 13 million bales, or even to oldtime high figures of 17 million bales. The consequences of such a trend would obviously be lower prices.

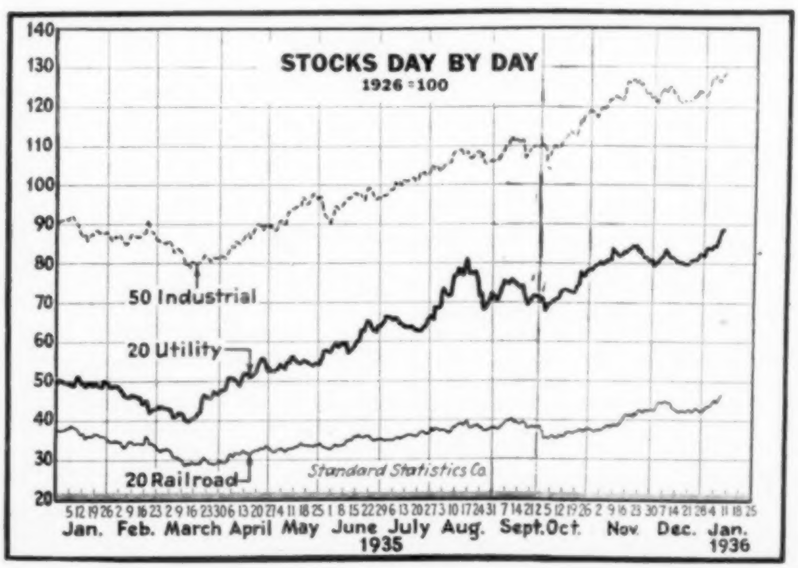
World consumption of American cotton for the first four months of the current season (August-November) was better than last year, but far below the corresponding periods of the three preceding years. Meanwhile, for the same period, world consumption of world cotton was at a record high. In other words, we were getting less of the business.

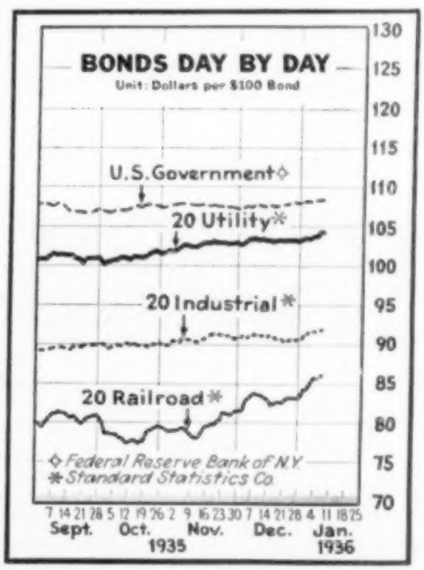
Nevertheless, full year consumption of American cotton promises to be in excess of the amount grown in 1935, perhaps by more than one million bales. That gives the government, as holder of 4.5 millions of loan cotton and 600,000 of pool cotton, the dominating market position for the rest of the current season. And the government is a high seller, not a low one, with more than current market prices invested in its holdings.

No Immediate Worry

It was said in Washington that neither the commodity loans nor the cotton pool holdings and operations would be affected by the AAA decisions. This is a strong bulwark against immediate price reactions. Cotton's worry is chiefly for the future, as evidenced by the relative strength of the exchange deliveries representing last year's crop compared with those representing this year's crop.

With a drop of 2¢ from the highs on cotton and with the 4.2¢ tax removed, cotton appeared cheap enough for the present; but textile people, having paid a good part of the tax right along through their breathing apparatuses, tried hard not to lower prices this week.





The Men in Your Plant

have balance sheets, too

They, too, get into the red—and plan campaigns to dig their way out

• Miniature business enterprises, these homes your workmen go to each night. They have purchasing departments, planning boards, accounting departments. Records are kept, cash position surveyed, dividends declared.

They're partnerships. The wife acts jointly with the husband in operating the home. And to the degree to which it is a co-operative, *informed* enterprise—to that degree does it succeed.

Troubles are not unknown, of course—more, perhaps, in proportion to the dollar handled, than in *your* business. Sickness, unforeseen emergencies, accumulated bills—these are major problems.

Meeting the Cash Problem

What does your workman do when he faces an immediate need for cash? Come to you, or to his fellow workers? In the *informed* family, he does nothing of the sort. Even in emergency borrowing he is still "all business."

Household is the family's financial adviser. When cash is needed to meet an emergency, it is provided—and repaid in monthly installments rarely exceeding 10 per cent of the monthly income.

The accounting system is Household's "Money Management" plan—a practical system for control of disbursements, wise distribution of income. Purchasing is guided by Household's "Better Buymanship" plan—complete, informed bulletins on how to save money in buying food, clothing, furnishings.

We would like you to have first hand knowledge of how Household serves these family partnerships upon whom you depend for steady, interested workmen. Just mail the coupon. No obligation.

HOUSEHOLD FINANCE CORPORATION
AND SUBSIDIARIES
919 North Michigan Ave., Chicago, Ill.

Household Finance Corporation
Room 3050-A, 919 No. Michigan Ave., Chicago, Ill.
Please mail me, absolutely FREE—*the new-type budget calculator:* "Money Management for Households", "Tips for Lazy Husbands", and sample copy of your "Better Buymanship" booklets.

Name..

Street..

City.......................... *State*..................

Buyers were not sympathetic. They demanded an ex-tax price level. The result for a time was complete absence of the expected expansion of business.

Snow Means More Wheat

It snowed in the Southwest this week, improving the prospects for the winter wheat crop to be harvested next June and July. AAA signers have their winter wheat planted already, and will get their AAA money if President Roosevelt can manage it. Spring wheat growers are signed up but do not have their benefit checks and will not get them, according to present expectations. The winter wheat crop, with the late snow and reasonable weather from here on, can be a large one. Spring wheat can be proportionately larger because spring wheat growers have time to plaster their acreage to its fullest extent. Thus a cloud passes across the future of wheat.

But the 1935 crop cannot be enlarged by AAA's extinction and it is this crop that is deliverable on the exchanges up to and including the May delivery of this year. Hence, the rather mild weakness in wheat prices following the decisions was confined to the deliveries subsequent to May.

In the flour trade there was an immediate reduction of the full barrel equivalent of the dethroned tax. No enormous burst of business ensued, but there was some pickup and more is expected.

The grain trade knows that, after all, the acreage, which is the only thing AAA could control, is a lesser factor in determining the size of crops. The major factor is yield. Normal yields in 1933 and 1934 would have given us surpluses instead of the disasters experienced.

Hogs Up on AAA News

Hogs advanced immediately following the decision. The trade had expected such action. Secretary Wallace had long ago predicted it. The hog shortage has not yet been remedied, even though resumption of normal production is in sight in the next few months, and producers still have the upper hand in the markets. Packers, running into consumer resistance to high pork, had passed the hog tax ($2.25 per 100 lb.) backward rather than onward, and with the elimination of the tax, producers' ideas went up, leaving the packers in pretty much the same state as far as profit margins are concerned.

Trouble is ahead, however. Consumers will want pork price reductions. Producers will want hog price advances. Squeeze play on the packers.

Sugar Down, Then Up

The sugar market practically had convulsions on the fatal day, but was rescued so fast by AAA officials on the next day that it almost literally met itself coming back. In an official opinion, AAA said that the provisions of the Jones-Costigan rider to the AAA regarding cane sugar quotas and the Cuban tariff would be unaffected by the court decision. Consequently, the heart of the sugar situation appears safe, and the industry, which has been very happy under Jones-Costigan procedure, is immensely relieved.

Keystone

B STANDS FOR BUDGET—And for Buchanan, chairman of the House Appropriations Committee.

The processing tax was not of vital importance to sugar, particularly this year with small beet sugar crops. Refiners promptly lopped the full amount of it from their scheduled selling prices.

Budget Pleases Bankers

With the government's 1937 budget so much up in the air both because of its incompleteness and because of the destruction wrought by the Supreme Court, there was some satisfaction for bankers this week in scrutinizing the more tangible facts in the first half of fiscal 1936, for which there are records.

Revenues for the half year to Dec. 31, 1935, ran $1,902 millions, up from $1,845 millions in the six months to Dec. 31, 1934. Total expenditures were up to $3,782 millions, against $3,545 millions, and the gross excess of expenditures was $1,880 millions, against $1,700 millions. But after allowance was made for debt retirement receipts from trust funds, etc., the deficit was only $1,489 millions—just $45 millions greater than in the first half of the previous fiscal year.

Most interesting to financial circles was the intimation that little new financing would be undertaken before July 1. It was predicted that the gross debt, now $30,557 millions, would on July 1 be $30,933 millions. In order to hold the debt to this limit, it will be necessary for the Treasury to draw down about $1 billion of the $2-billion balance now in the working fund.

Many Bank Meetings

Next week will see a great number of annual meetings among the banks. Undoubtedly it will be divulged that 1935 earnings were superior to those of 1934. Not that the rate of earning power was increased, but that deposits were so greatly expanded. Interest expense was generally reduced. Also, assets were disposed of at higher than write-down levels.

Editorially Speaking—

ONE hundred years ago, come June 15, Arkansas was admitted to the Union—remember? Well, they're going to celebrate the anniversary in grand style, and some legislators want to pay the bill by doubling the liquor tax.

WHITE man's firewater is said to be burning up the Eskimos. Alaska, with a population of 69,000, is now drinking nearly 1,400,000 gallons of beer, wine, and hard liquor annually, and many Eskimos are asking for a territorial law making it a crime to sell an Eskimo a drink or even give him one. If a law against selling is enforced, nobody need worry about the giving.

RAILWAY EXPRESS AGENCY tells of an eccentric millionaire who owned a lot of business property. One of his tenants went broke and the landlord received six million rubber heels in payment of back rent. He had the heels packed into barrels and sent each of his many friends a barrel of heels for Christmas. We hope none of them took offense, on the coals-to-Newcastle theory.

DOWN in Costa Rica they don't have professional bullfights, only a sort of general amateur battle-royal in the Christmas-to-New-Year week, with the people baiting the bulls. In the recent holiday week, 30 gay matadors got seriously hurt by the bulls. . . . And in the United States, last year, 36,400 people were killed in automobile accidents.

WALLACE THOMPSON of the *Business Week* staff died a few days ago. He was a man of extraordinary vitality and color, full of interest in life, and making his own life interesting. He had been, at various times, a magazine editor in New York, a newspaper editor in Mexico City, a Paris correspondent of American newspapers, a wartime member of the staffs of the War and State departments in Washington, and a vice-consul in Mexico. He wrote several books on Mexico and Central America.

He was editor-in-chief of *Ingeneria Internacional* for many years, and in 1933 he joined *Business Week*, going to Washington to report the outer activities and inner significance of the NRA. Thousands of people knew him, and they will all remember him as he was in his days of health, when he packed every day brimful of eager life.

"THE privilege of diplomatic immunity," says Secretary Hull, "does not presuppose the right to violate any of the laws or regulations, national or local." Of course not; it guarantees against arrest, but the requirement of obedience remains. Yet for more than a dozen years one Administration in Washington after another, Republican and Democratic, cooperated with foreign diplomats to break the prohibition laws, while prosecuting American violators.

ELON H. HOOKER declares sadly that President Roosevelt's advisers are "largely of foreign descent." This is an underestimate. As far as we know they're all of foreign descent, with not a single Indian in the lot. Of course the man responsible for the New Deal is Mr. Roosevelt himself, not his advisers, and it's notorious that Mr. Roosevelt's ancestors didn't get here till some 300 years ago.

The case is even worse over in that hotbed of radicalism, the Supreme Court. There's one man on the bench who's an immigrant's son. His name is Hughes. And another member actually was born abroad. He is that flaming radical, Justice Sutherland.

POULTRY producers have taken to tattooing their chickens, as a means of identifying them if they are stolen. Tattooing of chickens is no new practice. Carl Van Vechten described it about a decade ago in "The Tattooed Countess." Then about a year ago, somebody else, we think it was Albert Parry, wrote a book on the history of tattooing. It contained many amusing anecdotes.

AFTER making a survey of what radio listeners want, two professors report that women with vulgar voices are preferred to women with cultivated and refined voices. This conclusion doesn't jibe with our observation. It doesn't jibe with the professors' statement that the listeners preferred male speakers because women "seemed to them affected and unnatural." It's the affected, mush-in-the-mouth voice that listeners dislike. They prefer a "vulgar" but honest voice to it. And why shouldn't they?

RECOVERY note: Fewer books are being drawn from public libraries. Beginning in 1929 the demand for library books increased enormously, but in 1935 it receded 2% to 5%. People have less time on their hands now.

IN Kentucky and points farther south, a man who has once been a judge is assured of that title for life, even, it seems, in official documents. We've just been skimming through United States District Judge Elwood Hamilton's opinion sustaining the Guffey coal act, and on page 59, in a list of the lawyers in the case, we find the name of the United States district attorney at Louisville, Judge Bunk Gardner.

Lessen Vibration • Lower Costs!

For years vibration in rotating and reciprocating machinery has been regarded as an unescapable evil—a costly consort to production. But exhaustive researches have proven that vibration with all its economic waste can be greatly lessened. These facts, as they were developed from our research, are embodied in a new book, "A Study of Vibration in Plant Machinery." Send for a copy. It's yours for the asking. No obligation. The coupon below will bring it to you. Tear it off—sign it—and mail it—today!

THE FELTERS COMPANY, INC.
210 SOUTH ST., Dept. B. BOSTON, MASS.
Manufacturers of Felt and Felt Products
MILLS AT MILLBURY MASS., JOHNSON CITY, N. Y. & JACKSON, MICH.
BRANCHES AT NEW YORK · PHILADELPHIA · CLEVELAND · DETROIT · ST. LOUIS
CHICAGO · LOS ANGELES · SAN FRANCISCO · DALLAS

Please send copy of book "A STUDY OF VIBRATION IN PLANT MACHINERY."

YOUR NAME..

FIRM..

ADDRESS..

B-1

BUSINESS WEEK
The Journal of Business News and Interpretation

JANUARY 11, 1936

A Regrettable Broadcast

President Roosevelt's annual message to Congress was divided into two parts: the first, a grave and reasoned summary of the dangerous international situation, with particular reference to the violent ambitions of the autocrats who rule several leading countries; the second, a sweeping political attack on the business men who oppose the New Deal.

This was not a message to Congress, in the old tradition of other Presidents and of Mr. Roosevelt himself. It was a political speech to the people. The President merely used Congress as a studio audience at a political broadcast.

One year earlier, on Jan. 4, 1935, he delivered a genuine message to Congress. In this he complied with the constitutional requirement that "he shall, from time to time, give to the Congress information on the state of the Union and recommend to their consideration such measures as he shall judge necessary and expedient." In that message the President did these things:

He reported an improvement in business. He decried as unreal "the attempt to make a distinction between recovery and reform." He said he would soon submit a program for social security. He announced a plan for returning 1,500,000 unemployable persons to local care, and for giving federal employment to the remaining 3,500,000 persons on the relief rolls. He went into detail on this work-relief program, laying down seven principles that should guide it. He said Congress should also give attention to these subjects: regulation of transportation, a clarified NRA, crime laws, utility regulation, gradual reduction of governmental emergency credit activities, and improvement in taxation forms and methods. He pointed out the ugly state of international affairs.

This was a genuine message. It was comparable to a corporation president's report at an annual meeting of stockholders. It gave an accounting of stewardship and it submitted a program for action.

What is there of the same nature in the President's latest message? Here we find a sensible amplification of his last year's comment on foreign affairs. A war has broken out and things are much worse. The President does well to speak clearly on the dangers created by the men of blood who govern certain nations in Europe and Asia—obviously Germany, Italy, and Japan. This part of his speech carries a meaning not only for his own people but for such nations as Britain and France. It encourages world public opinion in support of democracy and peace.

But on domestic affairs the President is not one-twentieth as specific as he was last year. He briefly speaks of an approach to a balanced budget, and he says that "based on existing laws" no new taxes are necessary. And that is all. That is all except for a rhetorical list of proposals which he challenges his adversaries to present to this Congress for the repeal of the New Deal. As if this Congress, controlled by him, would do anything to such a legislative program except throw it in the wastebasket!

It is regrettable that Mr. Roosevelt should have offered such a poor and political semblance of a message. His Administration has accomplished some constructive things and is entitled to credit for them. It has caused confusion in other things and needs to be corrected. The President should have discussed these matters in a genuine message to Congress on the state of the Union.

Because They Want It—No Other Reason

The rawest, most brazen avowal of congressional subserviency to pressure groups is to be found in the opening words of the Vinson bonus bill: "Whereas the American Legion, the Veterans of Foreign Wars of the United States, and the Disabled American Veterans of the World War, in their national conventions assembled in 1935 unanimously adopted resolutions requesting immediate cash payment of the adjusted service certificates, with refund of interest paid and cancellation of interest accrued upon loans thereon; and whereas said organizations have united upon this measure to carry into effect their said resolutions: therefore, be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that . . . the adjusted service certificates . . . are hereby declared immediately payable."

Whereas they want this bill, therefore we pass it! Not whereas it is just, whereas it is wise, whereas anything else. No. Whereas they want it. That is all. And it is the most humiliating confession Congress was ever asked to make.

A Judicial Blow To The Whole New Deal

It is not merely the Agricultural Adjustment Act but the entire New Deal that has suffered a stunning blow in the Hoosac Mills decision. Of all the New Deal legislation that has been attacked in the courts, the AAA was admittedly the strongest. Unlike the Wagner labor relations act, it did not apply its compulsions directly. Unlike the Bankhead cotton control and Guffey coal acts, it did not levy a tax so high as to be obviously prohibitive.

Some of its weaknesses were removed by congressional amendments last August. Most constitutional lawyers believed that the AAA would either be sustained in its entirety by the Supreme Court or would be invalidated on the ground that its processing taxes were illegal, in which case Congress could levy excises on the processors and could then make benefit payments to farmers out of the general Treasury funds.

But these benefits are themselves held unconstitutional by the Supreme Court. Congress is denied the power to insist that farmers who receive federal money shall in return promise to obey certain federal regulations. The decision demolishes not only the AAA but the whole regulatory philosophy of the New Deal. If anything can provoke a political campaign with a broad constitutional amendment as an issue, this decision seems likely to do it.

Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd St., New York. Tel. MEdallion 3-0700. Price 20¢. Subscription: $5.00 a year, $10 for three years, U. S. A., possessions, and Canada. Other foreign, $7.50. Cable Code, Mcgrawhill

Glenn Griswold, *Vice-President and Editor* — Ralph B. Smith, *Managing Editor* — Paul Montgomery, *Manager*

Marketing, O. Fred. Rost — *Industry*, Earl Whitehorne — *Foreign*, J. F. Chapman — *News Editor*, Louis H. Engel — *Transportation*, Irvin Foos — *Typography*, F. A. Huxley — *Washington*, Paul Wooton, Carter Field — *Economist*, David Dillman — *Finance*, Arthur W. Baum — *Statistics*, R. I. Carlson